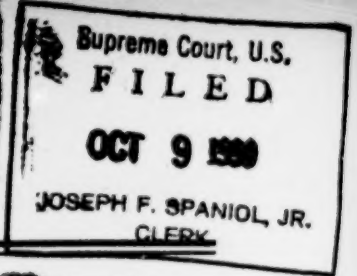


90-6 03

No.



IN THE
Supreme Court of the United States
OCTOBER TERM, 1990

GTE CORPORATION,

Petitioner,

vs.

DAVID R. WILLIAMS
d/b/a GENERAL TELEPHONE,

Respondent.

**PETITION FOR A WRIT OF CERTIORARI TO
TO THE UNITED STATES COURT OF APPEALS
FOR THE TENTH CIRCUIT**

JEFFREY A. SCHWAB
ABELMAN FRAYNE REZAC & SCHWAB
Counsel of Record
708 Third Avenue
New York, New York 10017
(212) 949-9022

QUESTION PRESENTED FOR REVIEW

Whether the Tenth Circuit, following a minority view among the federal circuits, has further dangerously expanded the "good faith-remote area" defense to a claim of trademark and trade name infringement as defined by this Court in *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 60 L.Ed. 713, 36 S.Ct. (1916), and *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 63 L.Ed. 141, 39 S.Ct. 48 (1918), by not barring the defense where the junior user admits knowledge of the senior user prior to adoption.

LIST OF PARTIES

Petitioner has no parent companies, subsidiaries or affiliates to list pursuant to Rule 29.1.

GTE Corporation is a participant in separate joint ventures with AT&T Corporation and Siemens Corporation.

TABLE OF CONTENTS

	Page
QUESTION PRESENTED FOR REVIEW	i
LIST OF PARTIES	ii
TABLE OF CONTENTS	iii
TABLE OF AUTHORITIES	v
OPINIONS BELOW	1
JURISDICTION	2
STATUTES INVOLVED	3
STATEMENT OF THE CASE	5
SUMMARY OF THE ARGUMENT	15
ARGUMENT	17
CONCLUSION	23
APPENDIX	
<i>GTE Corporation v. Williams</i> , No. 86-2260 (10th Cir. July 9, 1990) (order denying rehearing)	A1
<i>GTE Corporation v. Williams</i> , 904 F.2d 536 (10th Cir. 1990)	A3
<i>GTE Corporation v. Williams</i> , 649 F. Supp. 165 (D. Utah 1986)	A18

TABLE OF CONTENTS

APPENDIX (cont'd)	Page
<i>GTE Corporation v. Williams</i> , 731 F.2d 676 (10th Cir. 1984)	A44
<i>GTE Corporation v. Williams</i> , No. 82-1237W (D. Utah April 27, 1983) (order granting preliminary injunction)	A52
<i>GTE Corporation v. Williams</i> , No. 82-1237W (D. Utah April 27, 1983) (findings of fact and conclusions of law)	A56

TABLE OF AUTHORITIES

Cases	Page
<i>Council of Better Business Bureaus, Inc. v. Better Business Bureau Inc.</i> , 200 U.S.P.Q. 282 (S.D. Fla. 1978);	18
<i>Decatur Federal Savings & Loan Ass'n v. Peach State Federal Savings & Loan Ass'n</i> , 203 U.S.P.Q. 406 (N.D. Ga.);	18
<i>Foxtrap, Inc. v. Foxtrap, Inc.</i> , 671 F.2d 636 (D.C. Cir. 1982)	18, 19
<i>GTE Corporation v. Williams</i> , 904 F.2d 536 (10th Cir. 1990)	1
<i>GTE Corporation v. Williams</i> , 731 F.2d 676 (10th Cir. 1984)	1
<i>GTE Corporation v. Williams</i> , 649 F. Supp. 165 (D. Utah 1986)	1
<i>Hanover Star Milling Co. v. Metcalf</i> , 240 U.S. 403, 60 L.Ed. 713, 36 S.Ct. (1916)	i, 14, 15, 17, 19, 20
<i>Travelodge Corp. v. Siragus</i> , 228 F. Supp. 238 (N.D. Ala. 1964), <i>aff'd per curiam</i> , 352 F.2d 516;	18

TABLE OF AUTHORITIES

Cases (cont'd)	Page
<i>United Drug Co. v. Theodore Rectanus Co.</i> , 248 U.S. 90, 63 L.Ed. 141, 39 S.Ct. 48 (1918)	i, 14, 17
<i>Value House v. Phillips Mercantile Company</i> , 523 F.2d 424 (10th Cir. 1975)	21
 Statutes and Rules	
15 U.S.C. § 1051 <i>et. seq.</i>	17
15 U.S.C. § 1115(b)(5)	3, 15, 18, 22
15 U.S.C. § 1121	2
15 U.S.C. § 1125(a)	18
28 U.S.C. § 1254(1)	2
28 U.S.C. § 1338(a) and (b)	2
 Miscellaneous	
2 J. Thomas McCarthy, <i>Trademarks and Unfair Competition</i> , § 26.4 (2d ed. 1984)	20

**PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

Petitioner, GTE Corporation, respectfully prays that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Tenth Circuit, entered on May 25, 1990.

OPINIONS BELOW

The Tenth Circuit opinion is published in *GTE Corporation v. Williams*, 904 F.2d 536 (10th Cir. 1990). The Tenth Circuit's Order denying petitioner's request for rehearing and suggestion for rehearing in banc, dated July 9, 1990, is unreported.

The district court's Order granting petitioner's motion for a preliminary injunction, filed April 27, 1990, is unreported. The Tenth Circuit's reversal of that Order is published in *GTE Corporation v. Williams*, 731 F.2d 676 (10th Cir. 1984).

The district court's Memorandum Decision granting Williams exclusive rights to the GENERAL TELEPHONE trademark for the Wasatch Front is published in *GTE Corporation v. Williams*, 649 F. Supp. 165 (D. Utah 1986).

All decisions and opinions below are reprinted in the Appendix for the convenience of the Court.

JURISDICTION

Invoking jurisdiction pursuant to 28 U.S.C. § 1338(a) and (b), 15 U.S.C. § 1121 and the doctrine of pendent jurisdiction petitioner filed suit in the United States District Court for the District of Utah, Central Division in 1982 seeking, among other things, to enjoin David R. Williams from conducting his telecommunications business as GENERAL TELEPHONE.

On June 30, 1986 the district court issued its final Memorandum Decision finding, among other things, that Williams is entitled to continue using GENERAL TELEPHONE as a trademark, and that Williams' right to use GENERAL TELEPHONE in the Wasatch Front region is exclusive.

On GTE's appeal, the Tenth Circuit on May 25, 1990, entered a judgment and opinion affirming the district court's decision. A timely filed request for rehearing and suggestion for rehearing in banc was denied on July 9, 1990.

The jurisdiction of this Court to review the judgment of the Tenth Circuit is invoked under 28 U.S.C. § 1254(1).

STATUTES INVOLVED

15 U.S.C. § 1115 -

(b) To the extent that the right to use the registered mark has become incontestable under section 15, the registration shall be conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce. Such conclusive evidence shall relate to the exclusive right to use the mark on or in connection with the goods or services specified in the affidavit filed under the provisions of section 15, or in the renewal application filed under the provision of section 15, or in the renewal application filed under the provisions of section 9 if the goods or services specified in the renewal are fewer in number, subject to any conditions or limitations in the registration or in such affidavit or renewal applications. Such conclusive evidence of the right to use the registered mark shall be subject to proof of infringement as defined in section 32, and shall be subject to the following defenses or defects:

* * *

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and had been continuously used by such party or those in privity with him from a date prior to (A) the date of constructive use of the mark established pursuant to section 7(c), (B) the registration of the mark under this Act if the application for registration is filed before the effective date of the Trademark Law Revision Act of 1988, or (C) publication of the registered mark under

subsection (c) of section 12 of this Act: Provided, however; That this defense or defect shall apply only for the area in which such continuous prior use is proved; or ...

NOTE: The statute as amended became effective in November 1989. The application of the statute is not in issue. Rather, it and its predecessor are referred to herein as illustrative of Congressional intent and are set forth for the Court's convenience.

STATEMENT OF THE CASE

A. BACKGROUND

This case relates to the right to use the trademark and trade name GENERAL TELEPHONE for telecommunications services in the Salt Lake City region of Utah.

GTE Corporation (GTE) is the senior national user of both the trademark and trade name. Williams is concededly the junior user, claiming to have rights in the Salt Lake City area only.

B. GTE'S ACTIVITIES

In 1935 petitioner, GTE Corporation, then named General Telephone Company, began operations as a provider of telecommunications services and products, principally telephone services and products through a network of licensed public utility telephone companies.

General Telephone Company was parent to a series of what became an ever expanding network of telephone operating companies with facilities in 31 states. All the telephone operating companies, with the exception of the operations in Hawaii, included a corporate name, beginning with "General Telephone," followed by a geographic modifier. However, in most dealings with the public, the telephone operating companies used the communicative name "General Telephone." By the late 1960's this network of General Telephone telephone operating companies was the largest independent telephone system in the United States, second in size only to what was then known as the Bell System.

The telephone operating companies were all public utilities with a base of operations within franchised areas, but even before deregulation they, in common with all telecommunications companies, provided services beyond the geographic boundaries of their franchised areas. Because of this and for a number of other reasons, the parent company, in conjunction with its network of telephone operating companies embarked upon a coordinated plan for establishing, building and maintaining a national reputation for telecommunication services which was to extend, by design, throughout the entire country - - and encompass not only franchised areas, but locations where "GENERAL TELEPHONE" was not the local telephone company.

In part the effort to establish a national reputation under the GENERAL TELEPHONE name and trademark was to familiarize the business community and the investing public with the General Telephone system. The decision was made to establish a uniform national good will for all operations. The company committed literally *hundreds of millions* of dollars over many years to satisfy these objectives.

The effort combined the activities of both the parent and General Telephone telephone system companies. The parent conducted a nationwide advertising program employing all major media, including the sponsorship of a significant national advertising program employing all media, including the sponsorship of a significant national television programs, print advertisements in nationally distributed magazines of general circulation, and other advertising programs. The various General Telephone telephone operating companies separately advertised in all media,

although usually with an audience reach closer to their base of operations.

The combined efforts of the parent and the operating companies extended throughout the entire United States, and was very successful. The use of the mark and name GENERAL TELEPHONE anywhere was seen as a benefit to all telephone operations. It increased recognition of GENERAL TELEPHONE, with each service area benefiting from what the other companies in the system were doing. This was true not only for basic telephone services in a local area, but also for the then non-regulated enhanced service.¹

From 1935 through 1959, substantially all of General Telephone Company's business was conducted through the General Telephone telephone operating companies. In 1959 the activities of the parent expanded when it purchased the Sylvania Electric Company, a company whose business was principally in the consumer electronics field. In recognition of its expanded corporate activities, the parent General Telephone Company in 1959 changed its official corporate name to General Telephone & Electronics Corporation. The General Telephone telephone operating companies, however, continued to be identified, render services and advertise by the communicative name GENERAL TELEPHONE. However, the parent's advertising was modified. Sometimes it featured the activities and the products and services of the GENERAL TELEPHONE telephone

¹ Enhanced services are telecommunications services which can be offered by competitors from beyond the franchised area for use either in the service area or elsewhere by a subscriber or non-subscriber.

operating system, and sometimes the products and services of its Sylvania branded electronics companies. The parent company's official name was General Telephone and Electronics Corporation but it began to identify itself as GENERAL TELEPHONE & ELECTRONICS and by the initials GT&E. However, the identity of the communicative name and trademark GENERAL TELEPHONE was so strong that it continued to be used by the public and the press not only to identify the telephone operations, but to identify the parent as well.

In the early 1970's a new approach for the parent was decided upon. A distinctive logo consisting of the letters G, T, and E in a blue field (hereinafter "GTE logo") was designed. The GTE logo was to be employed by the parent and all operating companies in conjunction with their house mark or communicative name as the case may be. The GTE logo was not to usurp or be substituted for the communicative name GENERAL TELEPHONE. Rather it was to be an identifying symbol linking the often non-related General Telephone & Electronics companies. For the General Telephone telephone operating system this meant substituting the GTE logo design for a previously employed fanciful telephone design it often used.

The parent General Telephone & Electronics Corporation also started to use the GTE logo in its national advertising. To track the impact of its advertising, the parent undertook a market research campaign to trace, over a period of years, the public recognition of the GTE logo. Over the years the public recognition of the GTE symbol grew. However, this did not diminish the nationwide good will belonging to the continually growing General

Telephone telephone operating companies who continued to use GENERAL TELEPHONE as the dominant communicative name for their system-wide operations. The revenues of the General Telephone telephone operations continued to grow, as did the advertising addressed to these operations.

Moreover, the General Telephone telephone operating companies continued to provide services which touched all regions of the United States, outside their primary franchise area. For example, General Telephone of the Northwest, had revenues from Utah subscribers in the Salt Lake City area, with Utah revenues averaging approximately \$70,000 monthly in 1984.

By 1974, the date respondent David R. Williams (Williams) claims to have begun the use of GENERAL TELEPHONE, the communicative name and trademark GENERAL TELEPHONE had a nationwide reputation and services were being rendered in Utah.

B. WILLIAMS' ACTIVITIES

Williams operates a public utility with a franchise in the Wasatch Front region of Utah, providing telecommunications services for the benefit of subscribers both within and outside his franchised area. Williams advertises in media which is distributed outside his franchised area and seeks to attract new subscribers by advertising in listings and directories especially created to attract new businesses and residents to the Salt Lake City area. His services include not only the transmission of telecommunications in a given geographic area, he

attracts and bills customers throughout the United States.

In April, 1963, Williams started a business for the repair, service and installation of two-way radios in Vernal, Utah, about one hundred miles east of Salt Lake City. Williams named the business Industrial Communications. After obtaining the necessary license and certificate, in 1964 Industrial Communications began offering mobile and portable telephone and paging services as Industrial Communications in the Vernal, Utah area. Initially, he did not offer mobile and portable telephone or paging services because he did not have the necessary licenses.

Williams' efforts to obtain the requisite licenses began as early as 1970, but his application for the requisite state certificate of convenience and necessity was strongly resisted by the then non-wire licensee in the area. In 1974, his state certificate and federal FCC license were granted in the name "David R. Williams d/b/a Industrial Communications."

In 1973, in anticipation of the grant of the requisite licenses, Williams decided to select a different name to attract the public to his telephone services. Industrial Communications was not, in his view, likely to attract business community subscribers for mobile and portable telephone services and paging services in Salt Lake City. (His activities in Vernal were primarily directed to drilling and oil exploration.) According to Williams, he was assisted by his wife and two employees, Richard Bodily and Byron Colton in selecting the new name, and "General Telephone" was one of the names discussed with them. When Williams announced that he had selected "General

Telephone" as the company's name, Mr. Colton asked him about a possible conflict with General Telephone of the Northwest. Williams replied that he had checked with the Secretary of State of Utah and was told that General Telephone was not registered to do business in Utah. Although Williams denies this conversation took place, there is no question that a key employee of Williams knew of GENERAL TELEPHONE (*i.e.*, GTE) prior to the name selection. Williams also admits that when he selected the name General Telephone he was aware of a company doing business in California as "General Telephone & Electronics of California."

Once adopted in 1974, Williams' use of the name GENERAL TELEPHONE was extensive and not geographically restricted to Utah. Williams sends "General Telephone" bills for payment to customer's offices outside the State of Utah and this practice has taken place since the business began. Williams had for some period advertised his business as "GENERAL TELEPHONE" on television, with advertisements that were seen in Canada, South Dakota, Boise, Idaho, Flagstaff, New Mexico and the areas between them. His business is advertised as "GENERAL TELEPHONE" in media directed to incoming businesses that are moving interstate to enter into Utah. In fact, the only evidence in support of Williams claim of remote area usage is the transmission range of his equipment as restricted by his licenses.

In 1979, certain employees working for two GTE subsidiaries in Utah became aware of a company conducting business as "GENERAL TELEPHONE" in Salt Lake City which was unrelated to GTE. This was because of continuing instances of actual confusion by the public between Williams' business and that of these

GTE subsidiaries. The GTE subsidiaries, which had just opened operations, were receiving on a daily basis mail and a constant stream of telephone calls for "GENERAL TELEPHONE," which were not intended for these GTE operations. They were intended for Williams operations. The callers and writers confused the GTE subsidiaries (whose name did not include the name "GENERAL TELEPHONE," but rather only "GTE") with Williams. Initially these employees, without a sense of the legal issues involved, but with a sense of courtesy, forwarded the calls and letters to Williams.

Both customers of Williams and his vendors such as IBM Corporation also assumed that Williams was part of "General Telephone," *i.e.*, GTE. Mr. Gary Doelle, a local Utah insurance appraiser, testified at trial that he had known of the General Telephone telephone operating companies all his life, and has always associated the term "GENERAL TELEPHONE" with a nationwide telephone company. When Mr. Doelle obtained a pager from Williams, he assumed he was doing business with the nationwide "General Telephone" company, which he preferred because he believed "a nationwide company would be more responsive to general public complaints than a smaller company or a company that was just a local Salt Lake Company...."

Don C. Jacobson, a lifetime resident of Utah, testified that he leased pagers from Williams' General Telephone company while employed as an officer of a Utah bank. The bank required paging services for a branch in the Cache Valley, an area which Williams could not provide because, as he explained to Jacobson, he could not get the necessary licenses to install the equipment. To aid this vendor,

Jacobson wrote letters to Senators Garn and Hatch and Congressman Marriott, requesting their help with the FCC on behalf of "General Telephone." At the time he wrote these letters, he assumed that the "General Telephone" company he was writing on behalf of was a huge organization, that it was "the 'General Telephone', a nationwide national company," *i.e.*, a subsidiary of GTE, who he first learned about years before on television. Even the advertising agency employed by Williams acknowledged that the association between his operations and GTE was inevitable.

Williams' own survey evidence, showed that 50% of those polled in Utah had heard of a company by the name "General Telephone" and 20% of those could identify the company as GTE. Further none of the Utah residents polled associated "General Telephone" with Williams' business.

Williams' *only* evidence that confusion resulting from his use of "General Telephone" was unlikely was a statement by the president of the local Salt Lake City Chamber of Commerce that he had never received a complaint about confusion.

C. THE GOOD FAITH- REMOTE AREA DEFENSE

GTE's federal trademark registration for its GENERAL TELEPHONE service mark issued after Williams began his usage of General Telephone and Williams availed himself of the "innocent adoption" or "Tea Rose-Rectanus" defense at trial. Williams urged that his market was remote from that of GTE and his adoption was innocent. The trial court agreed, ignoring the evidence of actual public confusion. Further, while

acknowledging Williams' prior knowledge of GENERAL TELEPHONE, the district court refused to accept this admission as destroying the innocent adopter defense.

On appeal GTE argued that the factual determinations relating to the alleged limited area use by Williams were clearly erroneous. Moreover, GTE argued that even if the district court's factual determinations on the issue were accepted, the Tea Rose-Rectanus defense was inapplicable because neither of the two essential elements of the defense were present. Williams use was not remote, even if it be assumed that his use is limited to the Salt Lake City area in Utah, because "remoteness" relates to reputation, not the physical presence of goods and services.

Moreover, GTE argued that under this Court's holdings in the *Tea Rose* and *Rectanus* cases, and as they have been interpreted by a majority of the federal circuits, Williams' knowledge of GTE's use of GENERAL TELEPHONE both personally and through his key employee, rendered the defense inapplicable as a matter of law.

The Tenth Circuit rejected both arguments adopting what is a minority view among the circuits concerning the requisites and application of the "Tea Rose-Rectanus" defense. A petition for rehearing and a suggestion for rehearing in banc was denied.

SUMMARY OF THE ARGUMENT

The Supreme Court should resolve the conflict among the Federal Circuits and find that knowledge of a junior user of the senior user's mark or name precludes application of the Tea Rose-Rectanus defense to an action for trademark infringement and unfair competition, particularly where evidence of actual confusion, known to the junior user, exists in the allegedly remote area.

Since the Supreme Court decisions in 1916 and 1918 in the two cases which together established the Tea Rose-Rectanus defense to trademark infringement, two lines of authority have developed. The majority of circuits have held that a junior user's knowledge at the time of its adoption of a senior user's mark, precludes a "good faith-remote area" defense. This view best expresses the intent of this Court's mandate, which requires of the junior user ". . . perfect good faith, with no knowledge that anybody else was using or had used those words in such a connection...." *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 412 (1916). The majority view also expresses the legislative intent set forth in the Lanham Act, 15 U.S.C. § 1115(b)(5), which partially codified Tea Rose-Rectanus as it relates to incontestable registered trademarks and defines the defense in respect to registered marks in terms of "knowledge", not motivation.

However, some circuits, including the Tenth, have adopted another view. Knowledge of an earlier use of a mark in these circuits is a factor in the analysis, but is not dispositive. As is illustrated in this case, by looking to a subjective intent, an injustice not only to the senior user, but to the public, can result.

Under the minority view, good faith ignorance, which others do not share, insulates the junior user from the ordinary consequences of adopting a name another had used before him. It allows a finding of good faith to supercede the public interest. Without more, the junior user's awareness of General Telephone prior to his adoption evidences GTE's reputational presence in Utah, but under the minority view a court can, as here, find remoteness of use despite the existence of a misdirected calls, misdirected job applicants, correspondence with governmental authorities by third parties under a misconceived belief in the affiliation of the junior user and the senior user, indeed despite the junior user's own survey which showed that a significant segment of the public recognizes the name as being associated with the senior user.

The minority view simply should be rejected, and the uniform and unambiguous criteria of the majority view should be adopted throughout the United States as being consistent with both this Court's earlier mandate and Congress' codification of this Court's directive as expressed in the Lanham Act.

ARGUMENT

THE REMOTE AREA/TEA ROSE-RECTANUS DOCTRINE

Petitioner requests that this Court resolve a division of authority between the circuits in their interpretation of the "Tea Rose-Rectanus" defense to a claim of trademark infringement and unfair competition established by this Court in 1916 and 1918 and not addressed since.

Arising out of the decisions in *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 60 L. Ed. 713, 36 S.Ct. 357 (1916), and *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 63 L. Ed. 141, 39 S.Ct. 48 (1918), a possible defense is permitted where a national senior user accuses a local junior user of infringement and the junior user can show, first that its use has been in a separate market wholly remote from the other, and second that the junior user selected the trademark innocently. While in *dicta* the *Hanover* decision referred to the burden upon the junior user to show selection without any design inimical to that of the senior user, 240 U.S. at 415, the test established by this Court was one of "perfect good faith, with no knowledge that anybody else was using or had used those words in such a connection...." *Hanover*, 240 U.S. at 412.

Since this Court's decisions, the federal trademark registration law, *i.e.*, the Lanham Act of 1946 (15 U.S.C. § 1051, *et seq.*) has partially codified the defense as it might be applicable to registered marks which have become incontestable. See 15 U.S.C. § 1115(b)(5).

However, the judicially created doctrine still survives because not all accusations of infringement are based upon registered trademarks, whether incontestable or not, and therefor subject to the statutory definition of the defense. Indeed, there are a substantial number of cases relating to trade names and unregistered rights, including this one predicated upon a federal cause of action for unfair competition under 15 U.S.C. § 1125(a), which is part of the Lanham Act, but does not require a trademark registration as a predicate to suit.

The cases concerning registered marks under the Lanham Act are uniform in assuming that the rule requires the junior user to prove a *total* lack of knowledge and that "good faith" is destroyed by the knowledge, even where it is not actual but imputed. See *Travelodge Corp. v. Siragus*, 228 F. Supp. 238 (N.D. Ala. 1964), *aff'd per curiam*, 352 F.2d 516; *Council of Better Business Bureaus, Inc. v. Better Business Bureau Inc.*, 200 U.S.P.Q. 282 (S.D. Fla. 1978); *Decatur Federal Savings & Loan Ass'n v. Peach State Federal Savings & Loan Ass'n*, 203 U.S.P.Q. 406 (N.D. Ga.); *Foxtrap, Inc. v. Foxtrap, Inc.*, 671 F.2d 636 (D.C. Cir. 1982). Once a mark is registered the Lanham Act provides for constructive notice to all and from that "knowledge" forward no subsequent user can be an innocent adopter.

Indeed, the partial codification of "Tea Rose-Rectanus" in 15 U.S.C. § 1115(b)(5) requires a junior user claiming adoption before registration to demonstrate that it "was adopted without knowledge of the registration's prior use." Subjective good faith is not the issue, knowledge is.

For that reason, the majority of the circuits, no doubt in reliance upon this Court's language in the

Tea Rose decision that the junior user must have adopted the mark "in perfect good faith, with no knowledge that anybody else was using or had used those words in such a connection", 240 U.S. at 412, have determined that knowledge, without more destroys the defense.

The logic of the majority view becomes clear when viewed in the context of the objectives of the trademark and unfair competition laws and the limited exception intended to the "first in use, first in right" rule of trademark and trade name usage. Under the defense, a national senior user cannot oust a geographically remote good-faith user who has used the mark first in a remote trade area. *See e.g. Foxtrap Inc. v. Fox Trap, Inc.*, 671 F.2d 636 (D.C. Cir. 1982).

The Tea Rose-Rectanus defense was designed to safeguard against its application where to do so would frustrate the two primary objectives of the trademark law, to wit: (1) to protect the trademark property rights of private parties and to resolve disputes between competing parties' claims to use a mark, and (2) to protect the public from being misled or deceived about the source, sponsorship or affiliation of the goods or services it purchases.

The defense seeks to maintain both objectives by mandating that two elements be established by an accused infringer seeking the benefit of the defense. In the main, the "good faith adoption" element relates to the private property interests and considers whether the junior user was indeed innocent.

The "remote area" requirement primarily relates to protection of the public, since the inquiry determines whether the reputation of the senior user's

mark had entered the disputed territory at the time of the junior user's adoption, thereby determining whether the public is likely to be confused and injured by the junior use of the mark.

However, the Supreme Court recognized that there is a subtle interplay between the two elements of the defense, *i.e.*, good faith adoption and remoteness, as well as the evidentiary proofs necessary to establish each. For example, the knowledge of the junior user of the senior user's mark relates not only to his good faith adoption, but also to the remoteness of the use as well. The junior user's prior knowledge not only infers that his adoption of the mark must have been intended to trade upon the senior users reputation, it is evidence that the senior user's reputation had in fact entered the territory, and that his or her customers had knowledge of the earlier use. See 2 J. Thomas McCarthy, *Trademarks and Unfair Competition*, §26.4 at 292-93 (2d ed. 1984). This intention was expressed in the requirement of "perfect good faith..." 240 U.S. at 412.

The Tenth Circuit acknowledged that "[t]here is some authority for the proposition that mere knowledge of a prior user's mark is sufficient to destroy the good faith of a subsequent user," (Opinion at 11). Despite this, the Tenth Circuit refused to follow the majority view. See 2 *Trademarks and Unfair Competition*, § 26:3 at 290-91.

Moreover, in this case, what had previously appeared to be a Tenth Circuit judicial safeguard in its application of the minority view has been abandoned. Previously, the Tenth Circuit, while adopting the minority view, made it clear that despite a junior user's innocent intent, if the public's right to be free from

misleading or confusing use of indicia of source, origin or affiliation was violated, the defense will not be sustained. See *Value House v. Phillips Mercantile Company*, 523 F.2d 424 (10th Cir. 1975),

The *Value House* decision specifically noted that there was no evidence that the public was actually confused by the junior user's activities. *Id.* at 428-29. However, the decision reached in this case goes beyond *Value House*. Not only did the Tenth Circuit reject the majority view, it ignored the evidence of actual confusion. It gave no apparent weight to the knowledge of Williams and his key employee as being indicative of the awareness among the public in the allegedly remote area of GTE's usage and reputation having reached Utah prior to Williams' adoption. Moreover, there is substantial and un rebutted evidence of record that Williams and his employee were not alone in having such knowledge.

By not adopting what is submitted to be the rule of law established by the Court almost 74 years ago, the minority view has undercut the very rationale upon which this Court's analysis was based. Moreover, the Tenth Circuit has not merely adopted a minority view, it has in this case, dangerously expanded upon it. The Tenth Circuit Opinion as it stands has expanded the Tea Rose-Rectanus defense beyond the bounds previously established in those circuits which have adopted the minority view. It has sanctioned its application where both knowledge and evidence of actual confusion in the "remote area" exist.

In essence, the Tenth Circuit has elevated the issue of the subjective intent of the junior user to a linchpin criteria.

This view is contrary not only to this Court's rationale, but, also to that of Congress, as set forth in 15 U.S.C. § 1115(b)(5). As a result, a commercial uncertainty exists in national commerce, in which an entity can be foreclosed from effectively doing business in one jurisdiction under a name the public has come to know it by, and on the same facts be permitted to do so in another.

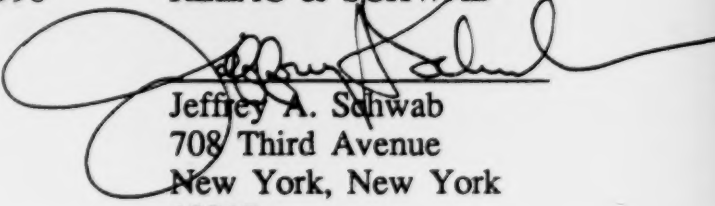
Without wishing to minimize the injury to its reputation that the Tenth Circuit's opinion has permitted, GTE can still trade in the Wasatch Front under its "GTE" tradename and mark. Clearly, it can and will survive the inability to trade as General Telephone in Salt Lake City, Utah, despite having its corporate reputation in the hands of a stranger over whom it has no control.

The overriding concern however, must be for the public and its right to free from deception. To permit Williams to gain credibility and customer acceptance under a reputation he did not establish for himself because he could effectively show that although he knew of General Telephone, he had no design inimical to it, is simply wrong.

CONCLUSION

For these various reasons, it is respectfully requested that this petition for a writ of certiorari be granted.

Dated: New York, New York ABELMAN FRAYNE
October 9, 1990 REZAC & SCHWAB



Jeffrey A. Schwab
708 Third Avenue
New York, New York
10017
(212) 949-9022

APPENDIX

UNITED STATES COURT OF APPEALS
FOR THE TENTH CIRCUIT

86-2260

GTE CORPORATION,
Plaintiff-Appellant,

v.

DAVID R. WILLIAMS,
individually and
d/b/a GENERAL TELEPHONE,
Defendant-Appellee.

ORDER

Filed July 9, 1990

Before HOLLOWAY, Chief Judge, McKAY, LOGAN,
SEYMOUR, MOORE, ANDERSON, TACHA,
BALDOCK, BRORBY and EBEL, Circuit Judges.

This matter comes on for consideration of
appellant's petition for rehearing and suggestion for
rehearing en banc filed in the captioned cause.

Upon consideration whereof, the petition for
rehearing is denied by the panel that rendered the
decision.

In accordance with Rule 35(b), Federal
Rules of Appellate Procedure, the suggestion for

rehearing en banc was transmitted to all of the judges of the court who are in regular active service. No member of the panel and no judge in regular active service on the court having requested that the court be polled on rehearing en banc, Rule 35 Federal Rules of Appellate Procedure, the suggestion for rehearing en banc is denied.

Entered for the Court

ROBERT L. HOECKER, Clerk

By /s/ Patrick Fisher

Patrick Fisher

Chief Deputy Clerk

UNITED STATES COURT OF APPEALS
TENTH CIRCUIT

86-2260

GTE CORPORATION,
Plaintiff-Appellant,

v.

DAVID R. WILLIAMS,
d/b/a GENERAL TELEPHONE,
Defendant-Appellee.

Appeal from the United States District Court
for the District of Utah
(D.C. No. C82-1237 G)

Jeffrey A. Schwab of Abelman Frayne Rezac &
Schwab, New York, New York, for Plaintiff

Robert S. Campbell, Jr. (Thomas P. Melloy with him
on the brief), of Watkiss & Campbell, Salt Lake City,
Utah, for Defendant-Appellee.

Before HOLLOWAY, Chief Judge, LOGAN and
SEYMOUR, Circuit Judges.

LOGAN, Circuit Judge.

In this action for infringement of a federally registered service mark, the district court found in favor of defendant David R. Williams. On appeal, plaintiff GTE Corporation (GTE) attacks the legal and factual bases of the court's decision.

I

Background

Plaintiff was formed in 1935 as "General Telephone Corporation." Its corporate name was changed in 1959 to "General Telephone & Electronics Corporation," and in 1982 to its current name, "GTE Corporation." GTE has four principal groups of subsidiaries, one of which is a network of telephone operating companies. Most of these telephone operating companies have names that begin "General Telephone Company of", followed by a geographic modifier. All of the telephone subsidiaries employ "General Telephone" as a trade name, trademark, and service mark.

Williams operates a sole proprietorship engaged in providing mobile telephone and paging services under the trade name "General Telephone" in the area of Utah known as the Wasatch Front. Williams adopted "General Telephone" as a trade name, trademark, and service mark in 1974, and has used it continuously in the Wasatch Front area since that time.

In June 1981 GTE applied to the Patent and Trademark Office for registration on the Principal Register of the service mark "General Telephone" for provision of telecommunications services. The mark was registered in October 1982. GTE filed the instant suit shortly thereafter, alleging infringement of a federally registered mark under sections 32(1)(a) and (b) of the Lanham Act, 15 U.S.C. §§ 1114(1)(a)-(b),

and false designation of origin under Lanham Act section 43(a), 15 U.S.C. § 1125(a). GTE sought injunctive relief and damages, including treble damages, pursuant to section 35 of the Act, 15 U.S.C. § 1117.¹

In *GTE Corp. v. Williams*, 731 F.2d 676 (10th Cir. 1984), this court reversed the district court's order granting GTE's motion for a preliminary injunction. On remand, the case was tried to the court de novo. The district court found Williams entitled, pursuant to 15 U.S.C. § 1052(d), to concurrent registration of the mark for the Wasatch Front, and to its exclusive use in that region. I R. tab 127, at 16 ¶ 14; *GTE Corp. v. Williams*, 649 F. Supp. 164, 176 (D. Utah 1986).

The district court reasoned as follows: "General Telephone" is a descriptive rather than a suggestive mark, and hence is entitled to protection only upon a showing of secondary meaning; GTE failed to establish secondary meaning of the mark in the Wasatch Front; Williams' use of the mark in the Wasatch Front was not likely to cause confusion in the marketplace; Williams established a statutory defense to the infringement claims by proving adoption as an intermediate junior user of the mark without knowledge

¹ Although GTE's complaint invoked the district court's pendent jurisdiction "for common law unfair competition," I R. tab 1, at 2, and GTE's brief to this court mentions that this action was brought, in part, "for common law trademark infringement and unfair competition," Brief for Plaintiff-Appellant at 5, GTE did not in fact plead any common law cause of action in its complaint, the pretrial order did not set forth a common law cause of action, and the district court's opinion did not address a common law cause of action. Thus, there is no common law claim in this case.

of the senior user's use, Lanham Act section 33(b)(5), 15 U.S.C. § 1115(b)(5); Williams established the common law defense to infringement of good faith adoption in a remote area, which defense was also applicable to the section 43(a) claim; and, as an alternative holding, GTE's claims were barred by laches.

GTE attacks every step of the court's reasoning process. We will deal only with those objections relevant to our decision.

II

Evidentiary Presumptions Arising from Registration

First, GTE argues that because of Patent and Trademark Office granted the registration without requiring proof of secondary meaning, the trial court should have adopted a presumption that "General Telephone" is a suggestive rather than a descriptive mark. Most courts that have considered the issue do hold that the Patent and Trademark Office's decision to register a mark without requiring proof of secondary meaning creates a rebuttable presumption that the mark is suggestive, arbitrary, or fanciful rather than merely descriptive. *See, e.g., Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1528-29 (4th Cir. 1984); *Money Store v. Harriscorp Fin., Inc.*, 689 F.2d 666, 673 (7th Cir. 1982); *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 11 (2d Cir. 1976). *But see EZ Loader Boat Trailers, Inc. v. Cox Trailers, Inc.*, 746 F.2d 375, 379 (7th Cir. 1984) ("[T]he registration of a trademark does not confer upon that mark a presumption of nondescriptiveness."). The reasons for adopting this presumption have been articulated by the Fourth Circuit:

"[T]he Patent and Trademark Office is the administrative agency initially charged with determining the registerability of a mark or figure and in exercising that function it must necessarily decide whether the mark is descriptive or suggestive, since the Patent and Trademark Office may not grant registration to a mark which if found to be 'merely descriptive.' Of course, if the mark is refused registration because it is found to be descriptive, the applicant may proceed under § 1052(f) to assert that its mark, though descriptive, has acquired what is known as a secondary meaning and, if the applicant proves secondary meaning, it can secure registration.² If the Patent and Trademark Office finds the mark suggestive on the other hand, it will grant registration without requiring proof of secondary meaning. The significance of registration without proof of secondary

² The Lanham Act requires that Patent and Trademark Office to grant registration of marks that do not fall within certain statutory bars, enumerated in section 2 of the Act, 15 U.S.C. § 1052. The Patent and Trademark Office has the burden proving "that the mark sought for registration falls within the statutory bars of § 2." 2 J. McCarthy, *Trademarks and Unfair Competition* § 19:25, at 928 (2d ed. 1984). One of those bars, section 2(e)(1), prevents registration of marks that are "merely descriptive." Section 2(f), however, allows for registration of a mark "which has become distinctive of the applicant's goods." The term "has become distinctive" in the Lanham Act means "has acquired secondary meaning." See, e.g., 1 *id.* § 15:2F.

meaning . . . is that the Patent and Trademark Office has 'concluded' that the mark or figure was not "merely descriptive" "but suggestive" and this 'essential fact [*i.e.*, the action of the Patent and Trademark Office] must be considered *prima facie* correct by a court in considering the validity of a trademark"

Pizzeria Uno, 747 F.2d at 1528-29 (footnotes and citations omitted).

The record in this case reveals that the Patent and Trademark Office registered the mark "General Telephone" without requiring any proof of secondary meaning. The district court acknowledged the evidentiary presumption under 15 U.S.C. § 1115(a) of exclusive right to use a registered mark. *GTE Corp.*, 649 F. Supp. at 168 n.4 (quoting *Value House v. Phillips Mercantile Co.*, 523 F.2d 424, 429 (10th Cir. 1975)). Nonetheless, GTE argues that Williams introduced no evidence on the issue of descriptive versus suggestive, and that the district court therefore erred in not finding the mark suggestive and protectable without proof of secondary meaning.

We need not resolve whether the district court properly applied the presumption, however, because even assuming the nationwide validity of GTE's registered mark, GTE could not prevail on its infringement claims without proving that Williams' use of the mark was likely to cause confusion in the marketplace. See *Value House*, 523 F.2d at 429; *Amoco Oil Co. v. Rainbow Snow*, 748 F.2d 556, 558 (10th Cir. 1984). Further, nationwide validity of the mark would not preclude assertion of the common law defense of innocent adoption in a remote area. We conclude that the district court applied that proper legal standards, and its findings on these issues are supported by the record. Hence, its judgment must be affirmed.

III

Likelihood of Confusion

In order to prevail on its infringement claims under sections 32(1)(a) and (b) of the Lanham Act, GTE was required to prove that Williams' use of the mark "General Telephone" was "likely to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. § 1114(1). The likelihood of confusion test also governs GTE's false designation of origin claim under section 43(a). *Amoco*, 748 F.2d at 558. We have held that likelihood of confusion is determined with the aid of the factors set out in *Restatement of Torts* § 729 (1938), see e.g., *Beer Nuts, Inc. v. Clover Club Foods Co.*, 711 F.2d 934, 940 (10th Cir. 1983), and is "considered not only in the context of confusion of source, but also in the context of confusion that results from a mistaken belief in common sponsorship or affiliation." *Amoco*, 748 F.2d at 558. Likelihood of confusion is a question of fact subject to the clearly erroneous standard of review. *J.M. Huber Corp. v. Lowery Wellheads, Inc.*, 778 F.2d 1467, 1471 n.* (10th Cir. 1985).

The district court found that "Williams' use of the 'General Telephone' mark in the Wasatch Front is not likely to cause confusion in the marketplace concerning the source, origin or sponsorship of his paging and mobile/portable telephone services." I R. tab 127, at 16 ¶ 12. GTE does not challenge this finding directly, acknowledging that the district court "correctly identified" the issue and properly relied upon *Amoco*. Brief for Plaintiff-Appellant at 31. Rather, GTE argues that the district court in fact considered only likelihood of confusion as to *source*, improperly giving only "lip serve [sic] to the broader definition" endorsed in *Amoco*. *Id.* GTE then reviews the evidence presented under the *Restatement* factors, asserting that "[w]hen the evidence is considered in the proper context, . . . a

finding of likelihood of confusion is inescapable." *Id.* at 32.

GTE's review of the evidence reveals that its real objection is to the court's *weighing* of the evidence, not to the legal standard applied. Thus GTE attacks the credibility of Williams' testimony, the correctness of the court's conclusion that the marketing areas of Williams and GTE do not overlap, and the weight given to evidence of actual confusion. *Id.* at 32-37. The court's factual findings are not clearly erroneous.

VI

Defenses

The absence of likelihood of confusion prevents GTE from obtaining any present relief against Williams' use of "General Telephone" in the Wasatch Front. The district court went on, however, to hold that Williams established certain defenses which give him superior rights to use of the mark in that area. Specifically, the court held that Williams had established a statutory defense under Lanham Act section 33(b)(5), 15 U.S.C. § 1115(b)(5), as interpreted by this court in *Value House*, 523 F.2d at 429, as well as the common law defenses of good faith adoption in a remote area and laches.

A

Section 33(b)(5)

Section 33(a) of the Lanham Act, 15 U.S.C. § 1115(a), provides that registration of a mark "shall not preclude an opposing party from proving any legal or equitable defense or defect which might have been asserted if such mark had not been registered." This section makes available common law defenses to

alleged infringers of registered marks. Section 33(b) provides:

"If the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be considered conclusive evidence of the registrant's exclusive right to use the registered mark . . . except when one of the following defenses or defects is established:

. . . .

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to registration of the mark under this chapter or publication of the registered mark under subsection (c) of section 1062 of this title: *Provided, however*, That this defense or defect shall apply only for the area in which such continuous prior use is proved."

15 U.S.C. § 1115(b)(5).

In *Value House*, 523 F.2d at 429, we held that because the section 33(b)(5) defense is available even against incontestable marks, it must *a fortiori* be available against contestable marks.³ This holding

³ With exceptions not applicable here, a mark becomes incontestable if continuously used for five consecutive years after registration, provided it does not infringe valid rights acquired by common law usage before the date of publication of the registered mark. 15 U.S.C. § 1065. Five years had not passed before

makes sense if section 33(b)(5) is a defense to the merits of an infringement action. The Supreme Court subsequently stated, however, that

"the seven defenses enumerated in § 33(b) are not substantive rules of law which go to the validity or enforceability of an incontestable mark. Instead, the defenses affect the evidentiary status of registration where the owner claims the benefit of a mark's incontestable status. If one of the defenses is established, registration constitutes only prima facie and not conclusive evidence of the owner's right to exclusive use of the mark."

Park 'N Fly, Inc. v. Dollar Park and Fly, Inc., 469 U.S. 189, 199 n.6 (1985) (citation omitted). Because section 33(b)(5) is a defense only to the conclusiveness of the evidentiary presumption arising from incontestability, it is clear that "[f]or marks whose registrations have not yet become incontestable, § 33(b)(5) is irrelevant." 2 J. McCarthy, *Trademarks and Unfair Competition* § 26:18D, at 331 (2d ed. 1984) [hereinafter *Trademarks and Unfair Competition*].

Because GTE's registration had not yet become incontestable, we cannot affirm the district court's finding that section 33(b)(5) bars GTE's infringement claims.

the contest in the instant case between GTE and Williams; thus GTE's mark is clearly contestable.

B

Tea Rose-Rectanus

The common law has long recognized that "the national senior user of a mark cannot oust a geographically remote good-faith user who has used the mark first in a remote trade area." 2 *Trademarks and Unfair Competition* § 26:1D, at 287; see *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916) (*Tea Rose*); *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (1918).

Williams is an intermediate junior user (i.e., one who adopted the mark after the senior user but before the senior user's registration) for whom the *Tea Rose-Rectanus* defense is available. Williams had the burden of proof as to both the "good faith" and the "remoteness" elements of the defense. The court found that Williams met his burden. GTE challenges the court's findings, which we review under the clearly erroneous standard.

1. Good Faith

The district court found that at the time Williams adopted the General Telephone name and mark in 1974, he had heard of a company called "'General Telephone and Electronics of California' in the context of its involvement in some litigation in California." I R. tab 127, at 10 ¶ 64. The court also found that, at the same time, Williams "had no knowledge that GTE used or claimed to use 'General Telephone' as a trade or service mark, or that any other entity used or claimed to use that mark," *id.* at 10-11, ¶ 65, and that Williams did not intend to benefit from GTE's reputation and goodwill, *id.* at 11, ¶ 66.

GTE argues that the level of knowledge found by the district court, by itself, should defeat a finding of good faith. There is some authority for the proposition that mere knowledge of a prior user's mark is sufficient to destroy the good faith of a subsequent user. See *Money Store v. Harriscorp Fin., Inc.*, 689 F.2d 666, 674-75 (7th Cir. 1982); *Weiner King, Inc. v. Weiner King Corp.*, 615 F.2d 512, 522-23 n.6 (C.C.P.A. 1980); see also 2 *Trademarks and Unfair Competition* § 26:3, at 290-91. While a subsequent user's adoption of a mark with knowledge of another's use can certainly support an inference of bad faith, *Jordache Enters., Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1485 (10th Cir. 1987); *Beer Nuts Inc. v. Clover Club Foods Co.*, 805 F.2d 920, 927 (10th Cir. 1986), mere knowledge should not foreclose further inquiry. The ultimate focus is on whether the second user had the intent to benefit from the reputation or goodwill of the first user. *Jordache*, 828 F.2d at 1485; see also *General Mills, Inc. v. Kellogg Co.*, 824 F.2d 622, 627 (8th Cir. 1987) ("Knowledge of another's product and an intent to compete with that product is not, however, equivalent to an intent . . . to mislead and to cause consumer confusion."); *Mushroom Makers, Inc. v. R.G. Barry Corp.*, 580 F.2d 44, 48 (2d Cir. 1978) (good faith despite actual and constructive knowledge of prior user's mark), *cert. denied*, 439 U.S. 1116 (1979); *El Chico, Inc. v. El Chico Cafe*, 214 F.2d 721, 726 (5th Cir. 1954) (knowledge is not inconsistent with good faith); *Restatement of Torts* § 732 comment a (1938). In *Value House*, we upheld a district court's finding that a defendant adopted a mark in good faith despite actual knowledge of use of a nearly identical mark by a third party, when it "did not select the mark for the purpose of benefiting from plaintiff's reputation and goodwill". 523 F.2d at 431.

It may be that only in unusual cases will a defendant be found to have both knowledge of a senior

user and good faith adoption of the allegedly infringing mark. In this case, defendant's admitted knowledge of a company called "General Telephone & Electronics of California," while not equivalent to knowledge of a senior user's use of the mark "General Telephone," would, considered by itself, appear to make his good faith claim somewhat improbable. But we are not the trier of fact. Federal Rule of Civil Procedure 52(a), which sets out the clearly erroneous standard of review, itself "emphasize(s) the special deference to be paid credibility determinations . . .," *Anderson v. Bessemer City*, 470 U.S. 564, 574 (1985), by stating particularly that "due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses." The court's finding that Williams acted in good faith is not clearly erroneous.

2. Remoteness

With regard to the remoteness aspect of the defense, the district court made the following findings: GTE does not have, and has never had, any operating subsidiaries in Utah or in the adjacent states of Nevada, Arizona, Colorado or Idaho (with the exception of a portion of the northern panhandle of Idaho). I R. tab 127, at 7 ¶ 40. None of GTE's operating subsidiaries has ever done business or provided services in Utah. *Id.* ¶ 42. Before 1974, GTE sold no products and provided no services in Utah under the mark "General Telephone," *id.* at 8 ¶¶ 46-47, nor does it do so now, *id.* ¶ 48. GTE and Williams do not compete in Utah or in any other place under the name or mark "General Telephone." *Id.* at 9 ¶ 54. Neither GTE nor its operating subsidiaries has ever conducted advertising in Utah for specific operating subsidiaries (which use the "General Telephone" mark), and none of the advertising of and for the specific operating subsidiaries was ever shown or run in Utah. *Id.* at 7 ¶¶ 39, 43.

These findings are not clearly erroneous. They sufficiently establish the "remoteness" element of the *Tea Rose-Rectanus* defense. See, e.g., *Value House*, 523 F.2d at 431. Thus GTE's infringement claims must fail.

C

Section 43(a)

The district court held that *Tea Rose-Rectanus* defense applicable to GTE's claim under section 43(a), 15 U.S.C. § 1125(a). GTE asserts that this was error. We agree with Professor McCarthy, however, that when "§ 43(a) is used as the basis for an alternative count along with a count for infringement of a registered mark, a good faith remote use defense good against the registration should be good against the § 43(a) count as well." 2 *Trademarks and Unfair Competition* § 26:18D, at 331-32; accord *Spartan Food Sys., Inc. v. HFS Corp.*, 813 F.2d 1279, 1282, 1284 (4th Cir. 1987).⁴

V

Conclusion

For the reasons stated above, the district court properly held that Williams is entitled to concurrent registration of the mark "General Telephone" for the

⁴ In view of our analysis of the other issues, we do not reach the question of the propriety of the district court's alternative holding that GTE was barred by laches from enjoining Williams' use of the mark.

Wasatch Front (only), and to exclusive use of the mark in that area.

AFFIRMED.

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF UTAH

Civil No. C82-1237G

GTE CORPORATION,
Plaintiff,

v.

DAVID R. WILLIAMS,
individually and dba GENERAL TELEPHONE,
Defendant.

Filed: July 1, 1986

Jeffrey A. Schwab, Mark Regan, Robert R. Mallinckrodt, Salt Lake City, Utah, for plaintiff.

Robert S. Campbell, Jr., Louise Knauer, Salt Lake City, Utah for defendant.

MEMORANDUM DECISION

J. THOMAS GREENE, District Judge.

This matter came on regularly for non-jury trial on April 7, 1986 and concluded on April 17, 1986. Plaintiff GTE Corporation was represented by Jeffrey A. Schwab, Mark Regan and Robert R. Mallinckrodt and defendant Williams was represented by Robert S. Campbell, Jr. and Louise Knauer. After trial of the merits and counsels' able arguments to the Court, the Court took the matter under advisement. The Court, having adopted Findings of Fact and Conclusions of Law, hereby supplements the Findings and Conclusions

with a Memorandum Decision which further addresses the factual and legal basis for its decision. The Court does not reiterate all its Findings of Fact but incorporates them by reference herein.

NATURE OF THE ACTION

Plaintiff GTE Corporation (hereinafter "plaintiff" or "GTE") alleges that defendant Williams dba General Telephone (hereinafter "defendant" or "Williams") infringed GTE's statutory rights in the tradename and trademark¹ "General Telephone" beginning in 1974 to

¹ The terms "trademark," "service mark" and "tradename" should not be confused. A "trademark" identifies goods while a "service mark" identifies services. A "tradename" is "the name or title adopted and used by a particular organization engaged in commerce." *Caesars World, Inc. v. Caesar's Palace*, 490 F. Supp. 818, 822 (D.N.J. 1980).

"A trademark is a distinctive mark, symbol, or emblem used by a producer or manufacturer to identify and distinguish his goods from those of others. *Educational Dev. Corp. v. Economy Co.*, 562 F.2d 26, 28 (10th Cir. 1977). 'The strength or distinctiveness of a mark determines both the ease with which it may be established as a valid trademark and the degree of protectiveness it will be accorded. *McGregor-Doniger, Inc. v. Drizzle, Inc.*, 599 F.2d 1126, 1131 (2d Cir. 1979). Trademark strength is measured by 'its tendency to identify the goods sold under the mark as emanating from a particular, although possibly anonymous source.' *Id.*" *Beer Nuts, Inc. v. Clover Club Foods Co.*, 711 F.2d 934, 939 (10th Cir. 1983).

the present. Plaintiff specifically alleges four statutory causes of action. First, plaintiff alleges trademark infringement pursuant to Section 32(1)(a) of the Lanham Act of 1946, 15 U.S.C. § 1114(1)(a). That statute makes it a violation for a person to use a registered trademark, without the consent of the registrant, "in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive." *Id.* Plaintiff's second cause of action alleges a violation of Section 32(1)(b) of the Lanham Act of 1946, 15 U.S.C. § 1114(1)(b). That Section proscribes a person's reproduction, counterfeit, copy, or colorable imitation of a registered trademark, without the consent of the registrant, where such use is applied to "labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive." *Id.* GTE's third claim alleges unfair competition in violation of Section 43(a) of the Lanham Act of 1946, 15 U.S.C. § 1125(a). That section applies to designations of origin, whether registered or not, and prohibits the use of words or symbols that tend falsely to describe or represent the source or origin of goods or services in commerce. *Id.* Plaintiff's final statutory claim is for damages pursuant to Section 35 of the Lanham Act of 1946, 15 U.S.C. § 1117. That statute allows a plaintiff to recover actual damages, damages

The terms as discussed above have been used interchangeably by the parties. For purposes of this opinion the Court will use only the term "trademark" to characterize the claimed right or rights of the parties.

in the form of defendant's profits, and attorney's fees,² for violation of a right of the registrant of a mark registered in the Patent and Trademark Office (hereinafter "PTO"). Plaintiff's claims are not in the alternative but allege separate violations.

Defendant asserts several affirmative defenses and makes several counterclaims. Generally, those defenses and counterclaims assert that Williams' adoption of the trademark "General Telephone" was in good faith, that Williams is the senior user in Utah and has acquired a common law trademark to the exclusion of GTE's use, that Williams' use in the Wasatch Front region constitutes a remote usage of the trademark which does not infringe on any rights GTE may have elsewhere in the trademark, that GTE abandoned the trademark and thus is the junior user, that GTE is estopped from asserting its claim because it acquiesced in Williams' use and because of laches, that GTE improperly and fraudulently obtained the federal registration, and that Williams is entitled to use the trademark exclusively in the Wasatch Front area of Utah while GTE has concurrent use of its elsewhere, pursuant to 15 U.S.C. § 1052.³ Defendant's affirmative defenses and

² Section 1117 allows recovery of attorney's fees to the prevailing party in "exceptional cases." 15 U.S.C. § 1117.

³ Section 1052(d) allows the concurrent registration and use of the same or similar trademarks in commerce where a court of competent jurisdiction determines that such use is appropriate or where "confusion, mistake or deception is not likely to result from the continued use by more than one person of the same or similar marks under conditions and limitations as to the mode or place of use of the marks or the goods in connection with which the marks are used,"

counterclaims generally appear to be pleaded in the alternative but some of them overlap, so that one claim or defense may support a finding as to others.

APPLICABLE LEGAL PRINCIPLES

A. Federal Registration

Rights to use of federally registered trademarks in Utah, as in other states, are determined, in large measure, by the common law and state statutes. *See, e.g., Wrist-Rocket Mfg. Co. v. Saunders Archery Co.*, 578 F.2d 727, 730 (8th Cir. 1978) (state common law circumscribes the rights accompanying registration with the PTO). The rights accompanying a federal trademark registration are, to a great extent, coextensive with the rights acquired at common law.⁴ *Value House v.*

provided they become "entitled to use such marks as a result of the concurrent lawful use in commerce prior to . . . the date[] of any registration under" the Act. As will be discussed, case law in this area has developed such that this Court is not without guidance in making such a determination.

⁴ The Tenth Circuit has addressed the extent of the protection afforded a party in the use of a trademark registered under the Lanham Act, which rights go beyond those acquired at common law. *See Value House v. Phillips Mercantile Co.*, 523 F.2d 424 (10th Cir. 1975). First, "registration is constructive notice of the registrant's claim of ownership and affords protection which is nationwide and not confined to actual use of the mark." *Id.* at 429 (citing 15 U.S.C.A. § 1072). Second, "[r]egistration also brings the right to rely on the evidentiary presumptions of 15 U.S.C.A. § 1115 . . . which include the registrant's

Phillips Mercantile Co., 523 F.2d 424, 428 (10th Cir. 1975) (the Lanham Act "does not go beyond protection under common law principles which afford rights growing out of use") (citing *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (1918)). *Wrist-Rocket Mfg. Co. v. Saunders Archery Co.*, 516 F.2d 846, 850 (8th Cir.) ("registration does not confer upon the registrant rights not possessed at common law. It is not a sword. To prevail in the infringement action [plaintiff must] establish his exclusive right to use the trademark independent of the registration"), *cert. denied*, 423 U.S. 870 (1975); *Caesars World, Inc. v. Caesar's Palace*, 490 F. Supp. 818, 822 (D.N.J. 1980) (common law rights in service or trademarks exist independently of statutory provisions for registration and are not affected by the fact that the trademarks were registered after another began its use of the marks). Therefore, although plaintiff has not pleaded a cause of action for infringement of a common law trademark, GTE's common law rights of usage of the trademark, if any, in the Wasatch Front region must be determined according to Utah's standard for common

exclusive right to use." *Id.* (citing *In re Beatrice Foods Co.*, 429 F.2d 466, 472 (C.C.P.A. 1970)). However, that presumption "shall not preclude an opposing party from proving any legal or equitable defense or defect which might have been asserted if such marks had not been registered." 15 U.S.C. § 1115(a). One statutory defense under 15 U.S.C. § 1115(b)(5) allows a prior use exception to the incontestability rights, one may acquire under the Act. See *infra* note 6. *A fortiori*, that exception is available where the registered mark has not become incontestable. See *Value House v. Phillips Mercantile Co.*, 523 F.2d 424, 429 (10th Cir. 1975).

law trademark acquisition and infringement.⁵ Accordingly, plaintiff will succeed on its first, second and fourth claims only if it has shown that it obtained a validly registered trademark with the PTO on October 22, 1982, which defendant has infringed as measured by common law and statutory law applicable in Utah.

B. Remote Area Exception to Federal Registration

Moreover, defendant's common law right of usage, if any, of "General Telephone" in the relevant area is significant to a resolution of the issues herein. Where two parties acquire common law rights to a trademark in different areas, "a registered owner's rights can become incontestable⁶ but the other common-law owner

⁵ Neither plaintiff nor defendant registered the "General Telephone" mark under the Utah Trademark Statutes, Utah Code Ann. § 70-3-1 et seq. However, Utah law specifically recognizes a cause of action under the common law for an unregistered trademark. See *id.* § 70-13-15. As has been discussed, the common law rights in the trademark "General Telephone" in the Wasatch Front region are of particular significance to the rights GTE has acquired due to its registration with the PTO.

⁶ "Incontestability" requires continuous use of the mark for five consecutive years subsequent to the date of registration, provided that the mark does not infringe a valid right acquired under the common law of a state by use of the trademark prior to the date of publication of the registered mark. 15 U.S.C. § 1065. Several exceptions to incontestability are provided under the Act. However, the court need not address those exceptions because five years has not passed

retains exclusive rights to the mark in areas where his rights antedated registration." *Wrist-Rocket Mfg. Co. v. Saunders Archery Co.*, 578 F.2d 727, 730 (8th Cir. 1978) (registration will not deprive another good faith user in a separate market the protections acquired at common law). On this point, the Tenth Circuit affirmed a case in which the lower court stated:

It has long been the law that the prior appropriation of a trademark in one geographical market does not entitle the first user to prevent a second user from using the same trademark in a separate and geographically remote area if the second user selected its mark in good faith.

Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber, 408 F. Supp. 1219, 1239 (D. Colo. 1976) (citing *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916); *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (1918); and *Value House v. Phillips Mercantile Co.*, 523 F.2d 424 (10th Cir. 1975)), *aff'd*, 561 F.2d 1365 (10th Cir. 1977), *cert. dismissed*, 434 U.S. 652

from the date GTE's trademark was obtained and registered.

Incontestability under the Act constitutes "conclusive evidence of the registrant's exclusive right to use the registered mark in commerce Or in connection with the goods or services specified in the affidavit filed under the provisions of said Section 1065 subject to any conditions or limitations stated therein," except when certain defenses or defects are established. 15 U.S.C. § 1115(b). Those defenses and defects are listed in Section 1115(b)(1)-(7). See also *supra* note 4, discussing the statutory defense to incontestability under 15 U.S.C. § 1115(b)(5).

(1978). Good faith is not vitiated by a user's knowledge of the existence of a prior user. *Id.*; see also *Proctor and Gamble Co. v. Johnson and Johnson, Inc.*, 485 F. Supp. 1185, 1201 (S.D.N.Y. 1979) ("good faith can be found even when the junior user has both actual and constructive notice of the senior user's mark"), *aff'd*, 636 F.2d 1203 (2d Cir. 1980). Good faith depends on whether adoption of the mark was intended to palm off or take advantage of the goodwill and reputation of the prior user.

C. Common Law Principles Applicable in Utah

Utah law provides a cause of action for common law trademark infringement. See Utah Code Ann. § 70-3-15.⁷ In order for a party alleging infringement of

⁷ The Utah Supreme Court explained the reason the Courts have recognized, at common law, exclusive rights in the use of trademarks:

When one in conformity with [the] privilege [of engaging in freedom of competition] engages in business and by dint of honesty, industry and merit establishes a good name and reputation for his product or service, the goodwill engendered is an important factor in the value of the product or service and in the business of its user. The reputation for quality becomes known variously through the use of tradenames, brand-names, trademarks, and other means of identification.

* * *

When any such identification of a product or service has been established in the mind of the public, there is not only the valuable interest

a trademark not registered under Utah or federal statutes to prevail the party must show the existence of several factors. Where the trademark is composed of words that are commonly used in everyday speech and belong in the public domain or are descriptive of the product or service, the user of the mark must have developed a reputation and goodwill for its business and its products or services, and the words must have acquired a "secondary meaning";⁸ that is, - the

therein which belongs to its creator, but the public also has an interest to be protected in order that it can safely rely on the established reputation for quality. Where such a reputation has been earned, to permit someone who had nothing to do with developing it to appropriate and use it as his own, results in a two-pronged evil: depriving the one who created it of the reward of his efforts; and deceiving the public. The encouragement of meritorious service and the good order of society demand the recognition of these interests. Such a pirating of that which belongs to another and deceiving the public is so plainly contrary to principles of fairness and good conscience that courts of equity have not hesitated to grant redress.

Allen's Products Co. v. Glover, 18 Utah 2d 9, 414 P.2d 93, 95 (1966).

⁸ "Secondary meaning" is a common law trademark doctrine that applies to words which ordinarily are not entitled to protection because they are commonly used in everyday speech and thus belong in the public domain. . . . Such words include geographical terms . . . and descriptive or generic words. . . . The doctrine of

secondary meaning provides that if a trademark or tradename composed of common words is entitled to protection, the user of the mark or name must by his efforts and expenditures, ha[ve] developed a reputation and good will for [its] business and its products, so that such name has come to mean, in the minds of the general public, that particular business and its products.

. . . In other words, when a substantial number of patrons of plaintiff's business understand the word not in its primary, dictionary sense, but as signifying plaintiff's product or business, it acquires a secondary meaning.

George v. Peterson, 671 P.2d 208, 210-11 (Utah 1983) (citations omitted). Also, the Tenth Circuit in *Beer Nuts, Inc. v. Clover Club Foods Co.*, 711 F.2d 934, 939 (10th Cir. 1983) has elaborated on the concept of "secondary meaning":

The use of terms or marks falls into four broad categories for purposes of legal recognition: (1) generic, (2) descriptive, (3) suggestive, and (4) arbitrary or fanciful. . . . A generic mark has been described as referring to "a particular genus or class of which an individual article or services is but a member." . . . Because a generic mark refers to a general class of goods, it does not indicate the particular source of an item. Consequently, such a mark receives no legal protection and may not be registered alone as a trademark. A term that was once a valid trademark

trademark must have come to mean, in the minds of the general public, the party's particular business and products, as opposed to the general or dictionary meaning of the words. *George v. Petersen*, 671 P.2d 208, 210-11 (Utah 1983) (citing *Budget Systems, Inc. v. Budget Loan & Finance Plan*, 12 Utah 2d 18, 24, 361

may become generic through usage and popular acceptance, and thus no longer be eligible for registration, e.g., escalator, thermos. . . . A generic word, such as "cola" may be part of a valid trademark, e.g., Coca-Cola. Although the holder of such a valid trademark may not prevent another from incorporating the generic term into a trademark, e.g., Pepsi-Cola, he can prevent its use in a trademark which is so similar to his own that the whole name is likely to be confused with his trademark, e.g., Koka-Cola. . . .

"A 'descriptive' term 'identifies a characteristic or quality of an article or service,' . . . as, for example, its color, odor, function, dimensions, or ingredients." . . . Because a descriptive term is one which a competitor would likely need to use in describing his product, the term does not indicate that a product comes from a single source. . . . Therefore, a trademark that is descriptive may be registered only if it has acquired a secondary meaning by becoming "distinctive of the applicant's goods in commerce." . . . To establish a secondary meaning, it is not necessary to show that the public is aware of the name of the manufacturer of a product; it is sufficient if the public is aware that the product comes from a single, though anonymous, source.

Beer Nuts, 711 F.2d at 939 (citations omitted).

P.2d 512, 516 (1961)); *Beer Nuts, Inc. v. Clover Club Foods Co.*, 711 F.2d 934, 939 (10th Cir. 1983). Factors that bear on secondary meaning include length of use, continuity of use, extent of advertising and success of the enterprise. Once secondary meaning is established, the holder of the trademark must show that the alleged violator's trademark is sufficiently similar to produce confusion among the public.

Under Utah law applicable to the facts herein, acquisition of a common law trademark simply means that a party, through its business efforts, has developed common terms or descriptive terms that have gained secondary meaning in the public mind and which are entitled to certain protections. Those protections extend only as far geographically as the secondary meaning of the term extends. The protectable interest, then, is coextensive with the trademark's reputation. *George v. Peterson*, 671 P.2d 208, 210-12 (Utah 1983). The terms "General" and "Telephone" appropriately fit the category of common or generic terms that must acquire secondary meaning as defined by Utah law before protection is accorded. Indeed, the terms "General" and "Telephone" when combined, become descriptive of the goods and services available through defendant's business, also requiring a finding of second meaning before protection is accorded. *See supra* note 8. Because of the defenses available at common law and under the federal statute, the extent of either party's common law right in the trademark "General Telephone" in the Wasatch Front area is critical to both parties' claims.

D. Confusion, Mistake or Deception

Additionally, assuming the right to a trademark in Utah, relief under the Lanham Act will be denied unless a plaintiff can show that the allegedly infringing party's use is likely to cause confusion, or to cause

mistake, or to deceive. *Value House v. Phillips Mercantile Co.*, 523 F.2d 424, 429 (10th Cir. 1975). The Tenth Circuit has explained the applicable test for determination of confusion, mistake or deception: "It is the generally accepted rule that a designation is confusingly similar to a trade-mark if an ordinary prospective purchaser, exercising due care in the circumstances, is likely to regard it as coming from the same source as the trademarked article." *Amoco Oil Co. v. Rainbow Snow*, 748 F.2d 556, 55B (10th Cir. 1984) (emphasis in original) (quoting *Avrick v. Rockmont Envelope Co.*, 155 F.2d 568, 572 (10th Cir. 1946)). The Tenth Circuit recently has specifically defined this "likelihood of confusion" test, which requires consideration of several factors:

(a) the degree of similarity between the designation and the trade-mark or trade name in

(i) appearance;

(ii) pronunciation of the words used;

(iii) verbal translation of the pictures or designs involved;

(iv) suggestion;

(b) the intent of the actor in adopting the designation;

(c) the relation in use and manner of marketing between the goods or services marketed by the actor and those marketed by the other;

(d) the degree of care likely to be exercised by purchasers. . . .

J. M. Huber Corp. v. Lowery Wellheads, Inc., 778 F.2d 1467, 1470 (10th Cir. 1985) (citing Restatement of Torts § 729 (1938) and *Beer Nuts, Inc. v. Clover Club Foods Co.*, 711 F.2d 934, 940 (10th Cir. 1983)); see also *Amoco Oil Co. v. Rainbow Snow*, 748 F.2d 556, 558 (10th Cir. 1984) (setting forth the Restatement factors as the applicable test for alleged violations of Section 1114 and 1125 and for state claims of infringement under Utah statutory and common law). The above cited list "is not exhaustive, and the facts of a particular case may require consideration of other variables." *J. M. Huber Corp.*, 778 F.2d at 1470 (citing *Beer Nuts*, 711 F.2d at 940).

E. False Designation of Origin

Plaintiff's third cause of action does not require a finding of either a common law or a registered trademark. It requires only a showing of false designation of origin. The test for such a determination is the likelihood of confusion test discussed above. See *Amoco Oil Co. v. Rainbow Snow*, 748 F.2d 556, 558 (10th Cir. 1984). However, a finding of the defendant's good faith adoption and common law acquisition necessarily would preclude a claim under 15 U.S.C. § 1125(a).

Under the aforesaid legal principles, two tests emerge to measure alleged violation of the Lanham Act. First, a showing of acquisition and use of the trademark in the relevant area. Plaintiff must show that it acquired common law rights before those rights may be sanctioned with the additional air of validity pursuant to registration of the mark with the PTO. Should plaintiff have failed to acquire such common law rights in the trademark in Utah, registration of the trademark with the PTO would not necessarily help. Additionally, senior usage and acquisition at common law in a remote area constitute defenses to Lanham

Act claims. Even where the plaintiff first used the trademark, if such use did not reach a remote area where defendant adopted the trademark in good faith, defendant would prevail.

Second, once a showing has been made of a right in the trademark in the relevant area, the plaintiff must show a likelihood of confusion, mistake or deception due to the alleged violator's use. The "likelihood of confusion" test also is applicable to the designation of origin question under 15 U.S.C. § 1125.⁹

ANALYSIS

A. GTE's Common Law Rights in the Wasatch Front Prior to Williams Usage in 1974

The first question we must address is whether prior to 1974, when Williams began his use of "General Telephone," GTE had acquired a common law

⁹ For purposes of analysis these issues are separated. However, the questions of whether one has acquired a common law trademark in a particular geographic area and of whether defendant's use is likely to cause confusion, mistake or deception are related questions. For example, if the public consumer in the Wasatch front area thinks of neither GTE nor Williams' company when he or she hears "General Telephone," that fact could have a bearing on whether either party had acquired a common law right to the trademark in the Wasatch Front. Also, no confusion would exist. Where the public consumer thinks of one or the other but not of both, that fact could have a bearing on who was being confused with whom and who had established a prior use in the area.

trademark of "General Telephone" in the Wasatch Front geographic region.

1. Advertising

Prior to 1974, GTE was known as "General Telephone Corporation" and "General Telephone and Electronics Corporation." GTE experienced national identity problems with the name "General Telephone and Electronics Corporation," and in 1971 it adopted the logo "GTE," which was emphasized in national advertising. In 1971 GTE downgraded the use of "General Telephone and Electronics Corporation," and upgraded the use of "GTE." In 1973, GTE initiated a corporate advertising strategy to eliminate "General Telephone and Electronics Corporation" as the corporate name and symbol and to replace it with the logo "GTE." From and after 1971, GTE's operating subsidiaries, most of which used the term "General Telephone" accompanied with the name of the geographical region where they respectively provided services, began using the GTE logo in their local advertising schemes to advise the public about the broad corporate identity. Since 1971 GTE has never used the term "General Telephone" alone to identify its services or products, but has always employed and continues to employ it with a geographic description and/or the GTE logo.

It is clear that GTE maintained two levels of advertising, national and local. Because no "General Telephone" operating subsidiary existed in Utah or, indeed, existed within a bordering state of Utah (with the exception of northern Idaho), none of the local operating company advertising reached Utah. Only national advertising of the parent corporation reached Utah, but by 1974 that advertising emphasized "GTE" in lieu of "General Telephone and Electronics Corporation." Accordingly, prior to Williams' use of

"General Telephone" in 1974, little or no advertising of GTE or a subsidiary, which employed the term "General Telephone," was conducted in or reached Utah. National advertising that reached Utah prior to GTE's identity crisis in 1971 may have used the term "General Telephone," but use of that term was not continuous.

2. Corporate Presence -- Products or Services

Prior to 1974, GTE Corporation did not have an operating subsidiary or any other subsidiary in Utah that offered products or services under the name or mark "General Telephone." GTE may have generated some revenues in Utah through its General Telephone Operating Group.¹⁰ For instance, some telephone services rendered outside Utah were billed to and paid from Utah. Operating subsidiary customers who traveled to Utah and placed long distance telephone calls from Utah may have used a General Telephone Operating Company credit card, may have made "collect calls" to a General Telephone Operating Group number or may have requested that a call be charged to a General Telephone Operating Group number. However, the revenues were not substantial.

It is apparent from the lack of continuous use of "General Telephone" in national advertising that reached Utah and the insubstantial revenues generated in Utah under the auspices of "General Telephone" Operating Companies, that GTE had not acquired a common law trademark in "General Telephone" in Utah prior to 1974. The term had not gained secondary meaning in the public mind through extensive and

¹⁰ The "General Telephone Operating Group" consists of the GTE operating subsidiaries located in many states throughout the country.

continuous use in the area, through extensive advertising of "General Telephone" products or services in the area or through the offering of products or services in a successful enterprise in the area.

B. GTE's Common Law Rights in the Wasatch Front after Williams' Usage in 1974

It is axiomatic that any claim GTE has to a common law trademark in "General Telephone" in the Wasatch Front after 1973 must be considered in light of Williams' usage in the same area. However, the facts show that GTE's post-1974 involvement in the Utah market has not changed significantly from the pre-1974 involvement, at least in GTE's favor. National advertising still reached Utah but with a continued decline in the use of "General Telephone" to identify the parent. No subsidiary that employs the name "General Telephone" has conducted business or provided products or services in this market at any time before or after 1974, and no local advertising has been conducted here, although the General Telephone Operating Group continued to generate some revenues as described above. This Court is of the opinion that GTE's presence and involvement in Utah while employing the term "General Telephone" to identify its products and services is insufficient to satisfy Utah's common law standard for acquisition of a trademark. Thus, GTE is not entitled to the protections accorded the holder of a common law trademark in Utah.

C. Williams' Common Law Rights in the Wasatch Front Area After 1973

1. Williams' Usage of "General Telephone"

Williams began his use of "General Telephone" in the Wasatch Front area to identify his paging telephone services in February 1974, and his portable/mobile

telephone services in March or April 1974. Williams' use in this regard has been continuous since early 1974 to the present. Williams' business is located in the Wasatch Front area and it provides services to consumers in that area only although some billing extends beyond Utah's borders. Williams has built his business into a successful, lucrative and well reputed organization. Advertising, targeted only at the relevant market herein, has accounted for much of Williams' success and good will.

2. Innocent Adoption -- Good Faith

At the time Williams adopted the "General Telephone" trademark in 1974, he had heard of a company called "General Telephone and Electronics of California." At that time, he had no knowledge that GTE used or claimed "General Telephone" as a trademark and he was unaware of a connection between GTE and "General Telephone and Electronics of California." Because GTE did not have a registered trademark of "General Telephone" in 1974, Williams also did not have constructive notice of GTE's usage. *See supra* note 4. At no time did Williams intend to palm off his services as originating with GTE, nor did he intend to benefit from GTE's alleged goodwill or reputation in this market. Indeed, Williams was unaware of GTE's objections to his use of "General Telephone" until GTE notified him in a letter dated September 1, 1982, well after GTE knew of Williams' use of the trademark.

This Court is of the opinion that "General Telephone" has acquired secondary meaning in the Wasatch Front area as being associated with and, indeed, as being the products and services of Williams' business. Williams' continuous and extensive use of the term, an historically successful and growing enterprise and the development of substantial goodwill through

advertising and providing quality products and services show that "General Telephone" has acquired secondary meaning in the market. Because Williams adopted the trademark in good faith, he now is entitled to the protections at common law accorded the holder of a common law trademark.

D. GTE's Registered Trademark versus Williams' Common Law Trademark

The next question is the effect GTE's October 22, 1982 registration of the trademark "General Telephone" with the PTO has on Williams' common law rights in "General Telephone" in the Wasatch Front. Clearly, Williams' common law ownership and usage antedated GTE's registration but post-dated GTE's usage in other markets. As discussed above, *see supra* Section A, Applicable Legal Principles, the law clearly allows such a common law owner, who adopted the trademark in good faith, exclusive rights in the market preempted by common law ownership, even to the exclusion of the registrant. The common law rights in the Wasatch Front which arose prior to registration constitute a valid defense to incontestability under 15 U.S.C. §§ 1065 and 1115(b)(5). "The plain meaning of this language is that if a party has acquired common-law trademark rights continuing since before the publication of the federal registration, then to that extent the registration will not be incontestable." *Wrist-Rocket Mfg. Co. v. Saunders Archery Co.*, 578 F.2d 727 (8th Cir. 1978) (referring to 15 U.S.C. § 1065(b)(1)(5) and citing 4 Callman, Unfair Competition, Trademarks and Monopolies § 97.3(c)(3) (3d Ed. 1970)). Clearly, where GTE's trademark has yet to satisfy the statutory requirements of incontestability, Williams' common law rights have equal force. *See supra* note 4 and cases cited therein.

E. Confusion, Mistake or Deception

Although the Court need not reach the issue of whether defendant's usage is likely to cause confusion, mistake or deception, it is appropriate for the court to address that point because of the emphasis given the question at trial. The Restatement of Torts factors, which were specifically adopted by the Tenth Circuit as discussed above, constitute the general focus of the "likelihood of confusion" test. However, implicit in that test are factors of overlapping geographic market and competition in providing similar goods or services. Without these two factors, confusion, mistake or deception is unlikely. Under Restatement factor (a), the claimed trademark and the alleged infringing usage are identical, "General Telephone"; under Restatement factor (b), the Court has found that defendant adopted the trademark in good faith; under Restatement factor (c), some of the goods and services of plaintiff and defendant are identical and are marketed in similar ways, although on much different scales and in different markets; none of the same products are marketed in the same market under the trademark "General Telephone"; and under Restatement factor (d), the degree of care likely to be exercised by purchasers is unclear, but the evidence indicates that few if any purchasers of Williams' goods and services would assume a false origin or association. That is because of the implicit factors of competition in the relevant market under the same or an allegedly confusingly similar trademark. Defendant's usage is in a remote market where GTE does not compete in any respect under the name "General Telephone." GTE does not even provide non-competing goods or services under the trademark "General Telephone" in the relevant market. The only advertising that reaches Utah

emphasizes the new corporate name "GTE,"¹¹ which is neither the same as nor strikingly similar to "General Telephone." Some minimal and wholly inconsequential confusion could result where a former General Telephone Operating Group customer desires employment with Williams' company or seeks paging or mobile/portable telephone services in Utah. Even then confusion is unlikely where GTE provides goods and services known as the "GTE Pocket Pager."

Based on the foregoing the Court is of the opinion that defendant's usage is not likely to cause confusion, mistake or deception.¹²

¹¹ GTE formally adopted its current corporate name on July 1, 1982.

¹² Were GTE and Williams' company competing under the mark "General Telephone," the result would likely be different on the question of confusion, mistake or deception. However, because Williams acquired a common law trademark in "General Telephone" in the Wasatch Front region, GTE's usage most likely would cause the confusion, mistake or deception. See, e.g., *Big O Tire Dealers v. Goodyear Tire and Rubber Co.*, 561 F.2d 1365, 1371-72 (10th Cir. 1977) (discussing the concept of "reverse confusion," wherein "the infringer's use of the plaintiff's mark results in confusion as to the origin of plaintiff's product") (citing *Westward Coach Mfg. Co. v. Ford Motor Co.*, 388 F.2d 627 (7th Cir. 1967), cert. denied, 392 U.S. 927 (1968)), cert. dismissed, 434 U.S. 1062 (1978).

F. False Designation of Origin

Plaintiff's third cause of action fails for the reasons set forth above under the court's analysis of the "likelihood of confusion" test where defendant adopted the trademark in good faith and his past and future use of the trademark is not likely to cause confusion, mistake or deception. Where he has acquired a common law trademark through appropriate usage, no false designation of origin or false description exists.

G. Estoppel - Laches

The Court feels it should address one of Williams' equitable defenses. The facts in this regard are not favorable to GTE. One year after Williams began using the trademark, GTE sales personnel employed by GTE Products Corporation knew or should have known that someone other than GTE was using "General Telephone" as a trademark. Prior to 1979 no GTE personnel investigated the alleged infringement. In 1979 other GTE employees became aware of Williams' usage, but nothing was done until March 1981. At that time, GTE's in-house counsel learned of Williams' usage and then discovered that GTE had not previously obtained a registered trademark for the "General Telephone" mark. GTE's counsel knew that the common law rights of enforcement would have been the only tool to stop defendant from using "General Telephone." He therefore initiated a registration procedure by filing with the PTO a Petition to Make Special in June 1981. GTE did not identify Williams as the alleged infringer to the PTO because it wanted to avoid Williams' notification until it had acquired the trademark or was certain to obtain it. From March 1981 to September 1982, when GTE informed Williams of the alleged infringement, GTE's counsel was aware that Williams was actively using the trademark and promoting his goods, services and

business under the mark. Yet, GTE took no steps to notify Williams of the alleged violation until it was certain to receive the mark, but allowed Williams to continue developing goodwill and recognition with the public under the mark "General Telephone." Yet, plaintiff now claims that Williams' usage is wrongful.

The Court will not detail the effort and expense Williams has committed to the development of a successful, well reputed business with services and products under the trademark "General Telephone." However, between 1975 and 1982, when GTE knew or should have known of Williams' usage and could have taken steps to mitigate Williams' losses caused by a change in identity, the effort and expense were substantial.

The Court is of the opinion that GTE's delay was unreasonable and prejudicial to defendant. GTE could have made reasonable inquiry into the alleged infringement at a date earlier than March 1981 but failed to do so. *See Georgia-Pacific Corp. v. Great Plains Bag Co.*, 614 F.2d 757, 763 (C.C.P.A. 1980); *Safeway Stores, Inc. v. Safeway Quality Foods, Inc.*, 433 F.2d 99, 103 (7th Cir. 1970). Although the length of time necessary to establish laches depends on the circumstances of each case and on the degree of injury and prejudice to the defendant, the Court is not persuaded that plaintiff's reasons for the delay were reasonable. Therefore, where plaintiff could have notified defendant of the objection but consciously chose to allow him to continue spending time and money developing rapport with the public under the trademark "General Telephone," almost any delay would be unreasonable.

CONCLUSION

Based on the foregoing, the Court concludes that Williams is entitled to continue using the trademark "General Telephone" in the Wasatch Front region. That right of usage is exclusive to Williams in the Wasatch Front area.

DATED: June 30, 1986

J. THOMAS GREENE, UNITED STATES
DISTRICT COURT

UNITED STATES COURT OF APPEALS
FOR THE TENTH CIRCUIT

No. 83-1545

GTE CORPORATION,
Plaintiff-Appellee,

v.

DAVID R. WILLIAMS,
d/b/a GENERAL TELEPHONE,
Defendant-Appellant.

Decided: April 6, 1984

Robert S. Campbell, Jr., Salt Lake City, Utah (E. Barney Gesas, also of Watkiss & Campbell, and Anthony L. Rampton of Fabian & Clendenin, Salt Lake City, Utah, with him on the brief), for defendant-appellant.

Jeffrey A. Schwab, New York City (Lawrence E. Abelman, also of Abelman, Frayne & Rezac, New York City, Philip Mallinckrodt and Robert Mallinckrodt of Mallinckrodt, Mallinckrodt, Russell & Osborne, Salt Lake City, Utah, with him on the brief), for plaintiff-appellee.

Before BARRETT, McKAY and LOGAN, Circuit Judges.

LOGAN, Circuit Judge.

Defendant David R. Williams appeals from an order granting plaintiff GTE Corporation's motion for a preliminary injunction. The principal issue on appeal is the relevance of delay in seeking relief from trademark infringement as a factor in determining whether to grant a preliminary injunction pendente lite.

In December 1982 GTE brought suit seeking damages and injunctive relief against Williams for trademark infringement under the Lanham Act, 15 U.S.C. §§ 1051-1127, and for common law trademark infringement under pendent jurisdiction. GTE claimed that Williams had infringed its rights in the trademark "General Telephone" by using that name to market mobile telephone equipment and services in the Wasatch Front area of Utah. A little over a month later GTE moved for a preliminary injunction.

The hearing on the motion for a preliminary injunction took place in March 1983. In memoranda filed before the hearing both parties acknowledged that a party seeking a preliminary injunction must establish: (1) that it has a substantial likelihood of success on the merits; (2) that the movant will suffer irreparable injury if the preliminary injunction is not granted; (3) that the threatened injury to the movant outweighs whatever damage the proposed injunction may cause the opposing party; and (4) that the injunction will not be adverse to the public interest. *Lundgrin v. Claytor*, 619 F.2d 61, 63 (10th Cir. 1980). After the hearing and after reviewing the memoranda and documents filed in the case, the trial court granted GTE's motion for a preliminary injunction.

From 1935 to 1959 "General Telephone" was the name of the corporation that is now GTE Corporation. It then became "General Telephone and Electronics Corporation," and in 1982 it became "GTE Corporation." Most of GTE's regional subsidiaries have

names that begin with the words "General Telephone Company of." The corporation applied for a federal registration for the trademark "General Telephone" in 1981 and received it in 1982. GTE, through subsidiaries, provides mobile telephone equipment and services, but does not provide such equipment and services in Utah.

Williams has been in the mobile telephone business since 1954 and has been using the name "General Telephone" since approximately 1974. Williams uses "General Telephone" only for marketing; for other purposes he uses the name "Industrial Communications." Because Williams claimed his lack of knowledge would prevent GTE from succeeding on the merits, both parties agreed to focus on whether Williams had knowledge of GTE's use of the mark "General Telephone" when he began doing business under that name.

The court found that the name "General Telephone" was well known nationally in the late 1960s and early 1970s. It found that Williams knew of a company using the name "General Telephone and Electronics" before he began using the name "General Telephone," but made no finding on Williams' denial of knowledge of GTE's use of "General Telephone" as a name and trademark. The trial court also found that GTE has known about Williams' use of the mark "General Telephone" since 1979. As conclusions of law, the trial court set out the four factors necessary to support a preliminary injunction. It found that there was a "substantial likelihood" GTE would succeed on the merits. The court concluded that GTE would suffer irreparable harm if it did not order the preliminary injunction but did not explain the basis for its conclusion. Subsequently, upon consideration of Williams' motion for a stay pending appeal, the court expressed doubt about the adequacy of the record to

support a preliminary injunction and, therefore, granted the stay.

On appeal Williams contends that the trial court did not properly consider whether denial of a preliminary injunction would irreparably harm GTE and whether the balance of hardships tipped in GTE's favor. Specifically, Williams contends that the trial court did not accord appropriate weight to GTE's delay in bringing suit.

A preliminary injunction is an extraordinary remedy; it is the exception rather than the rule. *United States v. Lambert*, 695 F.2d 536, 539 (11th Cir. 1983). In determining whether a preliminary injunction is warranted, a court must be guided by normal equitable principles and must weigh the practicalities of the situation. *Consumers Union of United States, Inc. v. Theodore Hamm Brewing Co.*, 314 F. Supp. 697, 699-700 (D. Conn. 1970).

The key to proving trademark infringement is showing a likelihood of confusion as to the source of the product or service. 15 U.S.C. § 1114. GTE suggests that the trial court's finding of a "substantial likelihood" that GTE would succeed on the merits diminishes the importance of a showing of irreparable injury. The likelihood of success, though, is only one factor to be considered on a motion for a preliminary injunction. Irreparable injury is equally important. *American Radio Association v. Mobile Steamship Association*, 483 F.2d 1, 4 (5th Cir. 1973). The apparent weakness of Williams' case does not obviate GTE's burden of showing irreparable harm.

Some cases suggest that a preliminary showing of likelihood of confusion alone is a sufficient showing of irreparable injury to support a preliminary injunction. *Paco Rabanne Parfums v. Norco Enterprises, Inc.*, 680

F.2d 891, 894 (2d Cir. 1982) (likelihood of damage to good will and reputation caused by confusing similarity entitles a plaintiff to a preliminary injunction); *P. Daussa Corp. v. Sutton Cosmetics (P.R.) Inc.*, 462 F.2d 134, 136 (2d Cir. 1972) (confusing similarity is itself sufficient injury to support a preliminary injunction); *Wesley-Jessen Division of Schering Corp. v. Bausch & Lomb Inc.*, 698 F.2d 862, 867 (7th Cir. 1983) (a trademark owner's inability to control the quality of the infringing party's product is irreparable injury). Presumably the trial court was relying on such cases when it stated at the beginning of the hearing that it did not think the showing of irreparable harm had to be great in a trademark case. However, we do not read those cases as saying that irreparable harm is an insignificant factor in considering motions for preliminary injunctions in trademark cases; rather, they stand for the proposition that infringement alone can constitute irreparable injury and that the movant is not required to show that it lost sales or incurred other damage.

Delay in seeking relief, however, undercuts any presumption that infringement alone has caused irreparable harm *pendente lite*; therefore, such delay may justify denial of a preliminary injunction for trademark infringement.

"Although plaintiff contends that it will be irreparably harmed should defendants' activities not be enjoined, it has waited nearly a year before seeking any relief. Delay of this nature undercuts the sense of urgency that ordinarily accompanies a motion for preliminary relief and suggests that there is, in fact, no irreparable injury."

Le Sportsac, Inc. v. Dockside Research, Inc., 478 F. Supp. 602, 609 (S.D.N.Y. 1979) (footnote omitted). See also *Exxon Corp. v. Xoil Energy Resources, Inc.*,

552 F. Supp. 1008, 1012 (S.D.N.Y. 1981); *Programmed Tax Systems, Inc. v. Raytheon Co.*, 419 F. Supp. 1251, 1255 (S.D.N.Y. 1976); J. Gilson, Trademark Protection and Practice § 8.07[1] (1984) ("Undue delay in seeking [a preliminary injunction] once plaintiff has, or should have, knowledge of the infringement will probably result in its denial."); cf. *Ideal Industries v. Gardner Bender, Inc.*, 612 F.2d 1018, 1025 (7th Cir. 1979), *cert. denied*, 447 U.S. 924 (1980) (delay is a factor to be considered in assessing irreparable injury).

Williams had been using the name "General Telephone" for at least eight years before GTE brought suit. The trial court found that GTE had known about Williams' use of the mark since at least 1979, three years before GTE brought suit or notified Williams of its objection to his use of "General Telephone." This indicates GTE officials felt no sense of urgency. The confusion or potential confusion has existed for a decade. Any injury that GTE would suffer before trial on the merits would be a relatively short extension of the injury that GTE knowingly suffered for three years before it filed suit. Most of the advantage from Williams' use of the name "General Telephone" has already accrued to him, and control of the quality of the products and services sold under the name "General Telephone" in the Wasatch Front area of Utah has long been in Williams' hands. The harm to GTE and the public "cannot be materially aggravated or extended in the interim." *Ward Baking Co. v. Oak Park Baking Co.*, 278 F. 627, 628 (D. Del. 1922). Thus, GTE's delay in bringing suit diminishes the significance, for purposes of a preliminary injunction, of a showing of confusing similarity. GTE does not sell mobile telephone equipment and services in the Salt Lake City area. GTE has suggested no lost sales or other damage to reputation likely to occur *pendente lite*. We must

conclude, therefore, that the harm to GTE from denial of a preliminary injunction would be inconsequential.

Also, a preliminary injunction would impose substantial hardship upon Williams. If Williams must change his trade name now, it is probably unrealistic to expect he would change the name back to "General Telephone" again if he won on the merits. The burden on the party seeking a preliminary injunction is especially heavy when the relief sought would in effect grant plaintiff a substantial part of the relief it would obtain after a trial on the merits. *Consumer Union of United States, Inc. v. Theodore Hamm Brewing Co.*, 314 F. Supp. 697, 699 (D. Conn. 1970). See J. Gilson, *Trademark Protection and Practice* § 807[1] (1984).

In holding that delay is an important consideration in the assessment of irreparable harm for purposes of a preliminary injunction, we do not consider whether the defense of laches would bar relief at trial.

"[W]hile laches may not be sufficient to bar a permanent injunction it may well be a bar to preliminary relief. A preliminary injunction is sought upon the theory that there is an urgent need for speedy action to protect the plaintiff's rights. By sleeping on its rights a plaintiff demonstrates the lack of need for speedy action and cannot complain of the delay involved pending any final relief to which it may be entitled after a trial of all the issues."

Gillette Co. v. Ed Pinaud, Inc., 178 F. Supp. 618, 622 (S.D.N.Y. 1959). See also J. Gilson, *Trademark Protection and Practice* § 8.12[12][1][iv] (1984). Also, although the term "laches" is sometimes used simply to mean delay, the defense of laches is sometimes said to require detrimental reliance, an issue we do not have before us. See *Helene Curtis Industries v. Church &*

Dwight Co., 560 F.2d 1325, 1334 (7th Cir. 1977), *cert. denied*, 434 U.S. 1070 (1978).

We hold that when movant shows no specific harm other than the harm that is presumed to exist when there is a likelihood of confusion, movant's delay in bringing suit is an important factor in determining irreparable harm. We hold that the trial court abused its discretion in finding that the burden of hardships weighed in GTE's favor and thus erred in granting a preliminary injunction.

REVERSED and REMANDED with directions to deny the preliminary injunction pendente lite.

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF UTAH
CENTRAL DIVISION

Civil No. C-82-1237W

GTE CORPORATION,
Plaintiff,

-vs-

DAVID R. WILLIAMS, individually
and d/b/a GENERAL TELEPHONE,
Defendant.

PRELIMINARY INJUNCTION

FILED
UNITED STATES DISTRICT COURT
DISTRICT OF UTAH
APRIL 27, 1983
PAUL L. BADGER
CLERK

Plaintiff's motion for a preliminary injunction was heard on March 25, 1983. Plaintiff was represented by Robert R. Mallinckrodt and Jeffrey A. Schwab. Defendant was represented by Anthony L. Rampton and Douglas L. Furth. Prior to the hearing the court had read all memoranda, affidavits, exhibits thereto and other materials which had been filed by both of the parties. After making certain oral rulings at the conclusion of the hearing and requesting the parties through their counsel to attempt to fashion an

equitable agreement based thereon, the matter was taken under advisement. Inasmuch as it now appears to the court that the parties are not able to reach an agreement, the court has further considered plaintiff's motion, including having reviewed the materials referred to above, having read a transcript of the March 25 proceedings, including reviewing the exhibits produced at said hearing, and also having read plaintiff's attorney's letter and proposed order submitted April 8, 1983, and defendant's attorney's letter, supplemental memorandum and other submissions which were received April 14, 1983. And the court, having entered Findings of Fact and Conclusions of Law pursuant to Rule 52 Fed. R. Civ. P., and good cause appearing

IT IS HEREBY ORDERED as follows:

1. Plaintiff's motion for a preliminary injunction is granted and defendant David R. Williams, his agents, servants, employees, successors, assigns and all those acting in concert with him:

(a) are hereby enjoined from any and all use of the name of trademark "General Telephone" or any colorable limitation thereof (including without limitation any name which included both the words "General" and "Telephone") in connection with the offering for sale or lease, or the advertising or promotion of telecommunications products or services including without limitation mobile telephone services and equipment; portable telephone services and equipment; paging services and equipment and all radio and/or telephone communication services of any nature;

(b) shall remove or otherwise mask or cover all signs or other indicia from his premises or equipment which bears the name of trademark "General Telephone" or any colorable imitation.

2. The defendant David R. Williams, his agents, servants, employees, successors, assigns and all those acting in concert with him shall have until August 1, 1983 to fully comply with this order, provided however;

(a) the defendant David R. Williams shall immediately notify the publishers of all telephone or other directories in which he maintains any listings under the name "General Telephone" not to reprint such listing under such name in the next edition of any such publication;

(b) the defendant may until March 1, 1984 identify itself to the public in its advertising literature (but not on any signs or in any telephone directories) as being formerly known as "General Telephone" provided defendant shall include in immediate proximity to the words "General Telephone" on such literature a statement disclaiming any past or present relationship with the plaintiff such as for example "not affiliated with GTE Corporation."

3. That the evidence received at the hearing of the application for this preliminary injunction become part of the record on trial and need not be repeated upon trial.

4. That plaintiff post a bond in the amount of \$100,000.00 as security, which bond shall be filed with the Clerk of the Court on or before 5:00 o'clock on the 5th day of May, 1983.

Dated this 27th day of April, 1983.

/s/ David K. Winder
David K. Winder
United States District Judge

Mailed a copy of the foregoing Order to the following named counsel this 27th day of April, 1983.

Anthony L. Rampton, Esq.
Douglas L. Furth, Esq.
800 Continental Bank Building
Salt Lake City, Utah 84101

Philip A. Mallinckrodt, Esq.
Robert R. Mallinckrodt, Esq.
10 Exchange Place, Suite 1010
Salt Lake City, Utah 84111

Jeffrey A. Schwab, Esq.
Lawrence E. Abelman, Esq.
708 Third Avenue
New York, New York 10017

/s/ Lois G. Elder
Secretary

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF UTAH
CENTRAL DIVISION

Civil No. C-82-1237W

GTE CORPORATION,
Plaintiff,

-vs-

DAVID R. WILLIAMS, individually
and d/b/a GENERAL TELEPHONE,
Defendant.

FINDINGS OF FACT AND
CONCLUSIONS OF LAW

FILED
UNITED STATES DISTRICT COURT
DISTRICT OF UTAH
APRIL 27, 1983
PAUL L. BADGER
CLERK

Plaintiff's motion for a preliminary injunction was heard on March 25, 1983. Plaintiff was represented by Robert R. Mallinckrodt and Jeffrey A. Schwab. Defendant was represented by Anthony L. Rampton and Douglas L. Furth. Prior to the hearing the court had read all memoranda, affidavits, exhibits thereto and other materials which had been filed by both of the parties. After making certain oral rulings at the conclusion of the hearing and requesting the

parties through their counsel to attempt to fashion an equitable agreement based thereon, the matter was taken under advisement. Inasmuch as it now appears to the court that the parties are not able to reach an agreement, the court has further considered plaintiff's motion, including having reviewed the materials referred to above, having read a transcript of the March 25 proceedings, including reviewing the exhibits produced at said hearing, and also having read plaintiff's attorney's letter and proposed order submitted April 8, 1983, and defendant's attorney's letter, supplemental memorandum and other submissions which were received April 14, 1983. Being now fully advised and pursuant to Rule 52 Fed. R. Civ. P., the court enters the following Findings of Fact and Conclusions of Law.

FINDINGS OF FACT

1. This is an action for trademark infringement under Section 32(1) and 43(a) of the Trademark Act of 1946, 15 U.S.C. 1114(1) and 1125(a). Jurisdiction is founded upon the existence of a federal question, 15 U.S.C. 1121 and 28 U.S.C. 1338(a) and (b), and upon pendant jurisdiction for common law unfair competition.

2. Plaintiff is a corporation organized and existing under the laws of the State of New York with its principal place of business in Stamford, Connecticut.

3. Defendant is a resident of the State of Utah with his principal place of business at 1171 South West Temple, Salt Lake City, Utah, and where he does business under the names of Industrial Communications and General Telephone.

4. The defendant first became involved in the mobile telephone business in communications in about 1954 and he first commenced business as a radio communications carrier in about 1957 or 1958.

5. Since the defendant has been doing business in Utah and commencing in approximately 1974, he has always maintained licenses with the regulatory agencies, those being the Federal Communications Commission federally and the Public Service Commission for the State of Utah, in the name of Industrial Communications. These have allowed him to conduct his telecommunications business. Never until 1980 did he become or attempt to become licensed with those agencies using the name of General Telephone. However, since approximately 1974 the defendant has exclusively used for the 'marketing arm' of his telecommunications business the name of General Telephone. This is the name by which his business is known to the public and by which the defendant advertises his business, is listed in the telephone directory and this is the name by which customers are billed for services. The defendant as a sole proprietorship is the employer of all personnel engaged in this business. Also, he owns the real estate, bank accounts, personal property and all of the other property either in his own name or in the name of Industrial Communications and General Telephone employs no one and owns none of such property. "General Telephone" is only used by the defendant as the name by which he holds himself out to the public and by which he attracts potential customers for his telecommunications business.

6. General Telephone is the world-famous name and trademark of GTE, which has, since 1935, expended millions of dollars promoting its telephone and electronic services and products under various names and marks including General Telephone

and General Telephone and Electronics throughout the United States.

7. Plaintiff had 1981 revenues of approximately \$11 billion, and is one of the world's largest corporations engaged in developing, manufacturing, and marketing telecommunication and electronic products, services and systems, with operations in thirty-nine states and eighteen foreign countries. It has 156,000 employees in the United States, and, with 475,000 common shareholders of record, plaintiff is ranked No. 6 among all companies listed on the New York Stock Exchange.

8. Plaintiff's domestic operating companies comprise the largest independent (non-Bell) telephone system in the United States. As of December 31, 1981, these operating companies served approximately 16,085,000 telephones in some 7,500 communities in portions of thirty-one states.

9. The companies which comprise the Telephone Operating Group of plaintiff all employ the name and trademark "General Telephone" in their businesses and, with limited exceptions, all the telephone company subsidiaries bear names which begin with the words "General Telephone Company of" and are completed by the name of a region or state, such as "General Telephone Company of the Northwest" or "General Telephone Company of California."

10. Plaintiff GTE, the parent company, was itself named General Telephone from 1935 until 1959, when its name was changed to General Telephone and Electronics Corporation. In 1982, the corporate name was again changed to GTE Corporation.

11. Through extensive advertising, sales and promotion, both through its subsidiaries and through nationwide television and print advertisements, the name and trademark General Telephone has been widely disseminated to the public and associated with plaintiff.

12. The public knowledge and familiarity with General Telephone was substantial and nationwide by the late 1960's and early 1970's, and by reason of such efforts, the trade name, trademark and service mark General Telephone represented then and represents today an enormous and valuable property of plaintiff and evidences significant goodwill.

13. Plaintiff through many of its various telephone operating subsidiaries provides both mobile telephone and paging equipment and services to its subscribers. However, neither at the present time nor at any time in the past has plaintiff provided such services in Utah.

14. Since about 1974, defendant has provided telecommunication services, principally mobile telephone, portable telephone and paging services, under the name General Telephone and has affixed the name General Telephone on products he provides to his customers in connection with such service. This service has been provided principally along the Wasatch Front area of the State of Utah which consists of the counties in Utah of Box Elder, Weber, Davis, Salt Lake and Utah.

15. Defendant's solicitation of the public under the name "General Telephone" included literature featuring the name "General Telephone - Your non-wire line phone company," a listing in the telephone directory as "General Telephone," and further included display of a sign on the building in which he does

business which has the words "General Telephone" with the letters approximately two feet high and forty feet long across the top of the building. Employees of Industrial Communications who deal with the purchasing public are provided with business cards which prominently feature the name "General Telephone" with the subheading "Radiotelephone Communications."

16. In mid 1979 after plaintiff, through a subsidiary, first commenced doing business in Utah, employees at Plaintiff's Salt Lake City facility first learned of defendant's use of the name General Telephone in connection with mobile telephone and paging services. In early 1981, trademark counsel for plaintiff was made aware of the existence of defendant's operation. On September 1, 1982, plaintiff's trademark counsel notified defendant that his use of General Telephone was an infringement of plaintiff's rights and demanded that defendant cease his use of the name General Telephone. Defendant refused to discontinue such use and these proceedings followed.

17. Prior to defendant's commencing to do business in Utah using the name General Telephone, defendant admits that he was aware of another company using the name General Telephone and Electronics which was in the telecommunication business. He has denied that he knew at that time of any other company which used only the name General Telephone or that he was aware of that name and trademark used by plaintiff. Based on the evidence presently before the court, no finding is made one way or the other as to whether such denial by the defendant is true or false. The court does find that defendant's knowledge of a company named General Telephone and Electronics in the telecommunications business and with this knowledge having been acquired prior to his commencing to do business under the name General

Telephone, plus the other facts recited in these Findings of Fact, preclude his use of the name General Telephone in Utah in the telecommunications business.

18. The nature of the businesses of plaintiff and defendant are competitive and were competitive at the time defendant commenced to do business under the name General Telephone in Utah, although they did not then nor have they since directly competed with each other in this state.

19. Prior to 1980 Don C. Jacobsen, an employee of First Security Company in Utah, had done business with the defendant using the name of General Telephone and Jacobsen sought to have remote telephone notification service from defendant for his company in Cache County, Utah. When defendant wasn't able to furnish such service because of a problem with the FCC, Jacobsen wrote to United States Senator E. J. Garn on March 5, 1980, and asked his intercession to help solve the problem. In his dealings with defendant using the name of General Telephone it was Jacobsen's assumption that defendant's company was affiliated with or was part of plaintiff. Both because of this incident, and further because of the enormous use of and circulation to the public of the trademark "General Telephone" by plaintiff since 1935, as well as based upon the similarity between either plaintiff's use of General Telephone and General Telephone and Electronics and defendant's use of General Telephone, the court finds there is a strong likelihood that defendant's continued use of the name General Telephone will cause confusion to the public served by defendant and with the strong likelihood being that such public will believe that defendant is plaintiff or is an affiliate of plaintiff.

20. Since 1979 two of plaintiff's subsidiaries have operated in the state of Utah, these

being GTE Automatic Electric Supply Company and GTE Business Communication Systems Company. The sole function of the former is to supply conventional telecommunications equipment to telephone companies and the sole function of the latter is to repair conventional telephones.

21. On June 18, 1981, plaintiff applied to the United States Patent and Trademark Office for its registration of "General Telephone". The application for registration was granted by that office on October 19, 1982.

22. Defendant registered the name "General Telephone" with the Office of the Utah Secretary of State on or about October 19, 1977 and renewed that registration on or about September 19, 1980. This renewal is effective to September 19, 1985.

23. Although defendant, using the name General Telephone, performed services and sold and leased products within the State of Utah, he also engaged in interstate commerce in that he, while using that name, frequently sent bills for products and services to customers in states other than Utah.

CONCLUSIONS OF LAW

1. Jurisdiction and venue are proper in this district.

2. Based on the evidence presented to date, there is a substantial likelihood that plaintiff will prevail on the merits.

3. Plaintiff will be irreparably injured if a preliminary injunction does not issue.

4. The harm which will result to the plaintiff if the preliminary ~~injunction~~ does not issue outweighs whatever harm will result to defendant if the injunction does issue.

5. It will not be contrary to the public interest for the preliminary injunction to issue.

Dated this 27th day of April, 1983.

/s/ David K. Winder
David K. Winder
United States District Judge

Mailed a copy of the foregoing Findings of Fact and Conclusions of Law to the following named counsel this 27th day of April, 1983.

Anthony L. Rampton, Esq.
Douglas L. Furth, Esq.
8000 Continental Bank Building
Salt Lake City, Utah 84101

Philip A. Mallinckrodt, Esq.
Robert R. Mallinckrodt, Esq.
10 Exchange Place, Suite 1010
Salt Lake City, Utah 84111

Jeffrey A. Schwab, Esq.
Lawrence E. Abelman, Esq.
708 Third Avenue
New York, New York 10017

